NRA FOCUS

FORECAST 1982

Sunny signs may cloud if recession continues

By Charles Bernstein

Food-service operators face the serious challenge this year of trying to raise customer counts and profit margins following a generally flat year and in an uncertain economy.

Prospects appear questionable with the unemployment rate at 8.4% and a continuing recession of variable magnitudes predicted for at least the first half. Yet there are also bright signs for an improvement in bottom line performance as well as on the crucial customer count side.

For one thing, interest rates finally are dropping after having topped 20%. Prospects are that the prime rate could go down to 12% or 13% this year, which would remove the shackles that have made expansion so expensive and untenable for many operators.

For another, the Federal minimum wage is slated to stay at $3.35 in 1982 after steady increases the past few years. Thus operators finally have a chance to improve profit margins, which have been squeezed to the hilt.

Labor and food cost rises, along with skyrocketing utility and occupancy costs, have greatly cut into profit margins. Operators have been forced to pass along these costs to customers in the form of steady menu price increases. These increases in turn have led to customer resistance and are at least partially responsible for the flat or declining customer counts.

It's a situation which prompted one harried chain executive to declare that "I'd be absolutely delighted to achieve just a 1% customer count increase or to maintain the line in this type of environment."

But with the minimum wage finally holding steady and commodity food costs leveling off, operators should be in a position to curb menu price rises to a greater extent this year, still achieve respectable profit margins, and hopefully bring in more customers.

A major falloff in menu price increases last fall led to a 0.9% sales gain (after subtracting the increases) in October compared with the previous October, according to Carl DeBiase's Colonia, N.J.-based Restaurant Industry Trends comprehensive surveys.

This upswing came on the heels of a record dip in menu price rises from 8.4% in September over the previous September, to 6.2% in October. It indicates a possible reversal of the erosion in customer counts.

Total sales of 17 major selected chains increased an average of 7.1% over the previous October. Since menu prices for these chains rose an average of only 6.2%, actual sales were up 0.9%.

The biggest reverses in actual sales and in customer counts for October were sustained by Jack-in-the-Box, down 10%; Friendly, down 7%; Church's, off 4%; Wendy's, down 3%; Ponderosa and Taco Bell, each off 2%, and Burger King, Howard Johnson and Winchell's, each off 1%.

Leading gainers were Pizza Hut, up 6%, and Denny's, up 4%. KFC was up 2% while McDonald's, Dunkin' Donuts, Hardee's and Sambo's each gained 1%.

Grim talk about the 1982 economic outlook may be exaggerated. Unemployment is particularly serious in the Pacific Northwest with the hard-hit lumber industry and in the Midwest with the depressed auto industry. Yet it is a spotty situation varying greatly around the country.

The administration, finally conceding a recession, has scaled down previous predictions of a 3.4% gross national product increase for 1982 to no better than 1%.

At the same time inflation in general is slowing, having dropped from 13.5% in 1980 to 10% in 1981. Some forecasts anticipate only an 8% jump for 1982.

Tax reductions should put more money in consumers' pockets this year. Taxes were cut 5% Oct. 1, and an additional 10% reduction looms.

Retail sales—a key indicator of consumer spending patterns—have been way off. But much of the dip has come from drastic reductions in spending on major appliances and other big ticket items. Consumers may opt to spend their money on entertainment and restaurants.

FOOD-SERVICE INDUSTRY SALES

(In Billions)

Sector	1979	1980	1981*	1982*
Commercial	$ 88.7	$ 96.2	$105.6	$116.3
Institutional	16.0	17.2	18.4	19.7
Military	0.5	0.6	0.7	0.7
Totals (All Food Service)	$105.2	$114.0	$124.7	$136.7

Source: *National Restaurant Association*

*Projected

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FOOD-SERVICE INDUSTRY COMMERCIAL FOOD AND DRINK SALES PROJECTED TO 1982

	1979 Estimated Food & Drink Sales (000)	1981 Projected Food & Drink Sales (000)	1982 Projected Food & Drink Sales (000)	1981-82 Per Cent Change	1981-82 Per Cent Real Growth Change	1979-82 Compound Annual % Growth Rate
EATING PLACES						
Restaurants, Lunchrooms	$33,398,455	$39,324,429	$ 43,060,250	9.5	1.1	8.8
Limited Menu Restaurants (Refreshment Places)	24,936,227	30,809,429	34,511,268	12.0	3.6	11.4
Commercial Cafeterias	2,045,336	2,315,442	2,472,892	6.8	−1.6	6.5
Social Caterers	748,981	806,206	835,229	3.6	−4.8	3.7
Ice Cream, Frozen Custard Stands	1,189,556	1,419,716	1,561,687	10.0	1.6	9.5
TOTAL EATING PLACES	62,318,555	74,675,114	82,441,326	10.4	2.0	9.8
Bars and Taverns	7,178,715	8,321,422	8,953,850	7.6	−0.8	7.6
TOTAL EATING & DRINKING PLACES	69,497,270	82,996,536	91,395,176	10.1	1.7	9.6
FOOD CONTRACTORS						
Manufacturing & Industrial Plants	2,016,619	2,300,039	2,518,543	9.5	1.1	7.7
Commercial & Office Buildings	541,134	656,510	726,757	10.7	2.3	10.3
Hospitals & Nursing Homes	751,334	879,433	948,908	7.9	0.9	8.1
Colleges & Universities	1,004,381	1,218,617	1,307,576	7.3	0.3	9.2
Primary & Secondary Schools	576,790	670,897	741,341	10.5	−3.5	8.7
In-Transit Feeders (Airlines)	476,067	532,367	587,733	10.4	4.3	7.3
Recreation & Sports Centers	875,370	1,060,231	1,182,157	11.5	3.1	10.5
LODGING PLACES						
Hotel Restaurants	3,285,061	3,838,741	4,243,837	10.6	2.2	8.9
Motor Hotel Restaurants	808,470	946,491	1,042,086	10.1	1.7	8.8
Motel Restaurants	1,798,579	2,099,609	2,301,171	9.6	1.2	8.6
TOTAL LODGING PLACES	5,892,060	6,884,841	7,587,094	10.2	1.8	8.8
Retail Host Restaurants	3,075,455	3,651,428	4,016,570	10.0	1.6	9.3
Recreation & Sports	1,252,230	1,544,237	1,717,191	11.2	2.8	11.1
Mobile Caterers	434,360	506,539	557,193	10.0	0.7	8.7
Vending and Nonstore Retailers	2,347,474	2,701,248	2,979,476	10.3	1.0	8.3
TOTAL—ALL COMMERCIAL FEEDERS	88,740,544	105,602,923	116,265,715	10.1	1.7	9.4

Source: *National Restaurant Association*

Food service acquisition trend gains momentum

The food-service chain acquisition pace has accelerated in the last few months—but with a critical nuance. This time it is operators buying operators rather than conglomerates stepping into the fray.

Hardee's, which itself is owned by Montreal-based conglomerate Imasco, agreed last month to acquire Burger Chef from General Foods.

Marriott is poised to acquire a major portion of Host International in a deal involving the DFS Group, a huge gift shop operator. Marriott, which sold Farrell's Ice Cream chain, supposedly also may be interested in acquiring Gino's-Rustler, with some of the Gino's units to be converted to Roy Rogers.

Two major just-completed deals saw Shoney's Inc., operator of Shoney's Big Boy and Captain D's, acquire Famous Recipe Fried Chicken, and International Dairy Queen acquire Golden Skillet Fried Chicken. Earlier, Horn & Hardart acquired Bojangles chicken chain. And Wuv's is positioning itself to merge with A & W under the auspices of the Taubman Co. shopping mall developers.

This sudden splurge of merger activity is likely to accelerate in 1982 as chains find themselves besieged with a difficult economy and flat customer counts as well as rising costs and ever-tightening profit margins. The only available road to profitable expansion, some feel, is to be acquired by a stronger operator.

At the same time conglomerates and major corporations are re-evaluating their commitments to food-service chains. "For years it seemed to be a lark for these big corporations acquiring one food-service chain after another," observed one highly knowledgeable industry source. "But lately a lot of them have become disenchanted with the restaurant business. Not that there's anything inherently wrong in running these chains. Just that it takes a lot more personal commitment and service than some of these corporations were willing to give."

As a result some of the remaining chains which might like to be acquired are looking to other chains rather than conglomerates. One exception is PepsiCo, which is known to be looking for a major fast-food burger chain (Wendy's or Gino's could be candidates) to acquire by late 1982 after having made progress in turning around Pizza Hut and Taco Bell.

Attractive chains such as Denny's and Jerrico are not being actively wooed anymore by conglomerates. Rather, such profitable chains are more likely to be the acquirers of other chains than the acquirees.

Of course, the danger in any of these mergers is the possible blurring of a straight-line major effort with one successful chain and a diversion of capital and of executive talent. Yet chains searching for market segments almost have to do so via acquisition due to the incredible startup costs of new operations today.

Wendy's tried to launch its own upgraded chicken chain, Sisters Chicken, but is putting a minimum commitment into it for fear of diluting its main burger business. Chart House, which owns steak houses (Cork 'n Cleaver and Chart House steakhouses were integrated) and is a large Burger King licenseee, is trying to launch Luther's barbecue and Cisco's Mexican restaurants.

At least one major corporation, Quaker Oats, has publicly stated it would like to sell its food-service chains Magic Pan, Engine House Pizza and Proud Popover restaurants.

But others too may want to sell either to raise desperately needed cash (a prime motivation in United Brands' efforts to sell A&W) or to escape from a difficult situation. Royal Crown may want to sell Arby's, and Mrs. Paul's Kitchens is encountering overwhelming problems with its Arthur Treacher's fish and chips chain.

City Investing, which also owns Servomation and Motel 6, is finding far more severe problems in Sambo's than it had anticipated. Sambo's has filed a Chapter XI voluntary bankruptcy petition. It suffered a $29 million nine-month loss and has closed 447 of its 1,114 restaurants.

W. R. Grace is trying to achieve turnarounds at Del Taco and Far West Services dinnerhouses while also operating Coco's and Jojo's, El Torito and Gilbert/Robinson (Houlihan's).

Despite pronouncements that it was "not dissatisfied" with the progress of the Howard Johnson Co. after 1½ years, Imperial Group of Great Britain has appointed G. Michael Hostage as chairman and president to try to awaken the sleeping giant to its real potential.

Pillsbury has placed its Poppin Fresh Pies chain under the Steak&Ale division, which is finding the streamlined casual Bennigan's restaurant to be its hottest vehicle. Pillsbury's Burger King has lost market share and is trying to recover.

In essence, the conglomerates have

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Beef grading heads active legislative agenda

Restaurant operators looking forward to a breather from heavy-handed Federal legislative and regulatory initiatives during 1982 are in for a surprise. Congress and the Reagan Administration will be moving ahead over the next few months on literally scores of proposals affecting food-service payrolls, profits and operational procedures.

The issue topping the industry's Washington worry list at presstime was the Agriculture Department's plan for an inflationary shift in Federal beef grading standards. The changes, originally proposed by cattle producers, would sharply reduce the amount of "marbling" needed to qualify a carcass as U.S.D.A. "Choice" or "Prime."

Although proponents of the scheme claim that reduced marbling requirements will encourage ranchers to produce more lean beef demanded by today's nutrition-conscious consumers, restaurant industry leaders contend the proposal is little more than an effort to fatten the profits of cattle producers.

An economic impact study prepared for the National Restaurant Association concludes that consumer meat prices would have increased $200 million if the proposed grading changes had been in effect during 1979 and 1980.

But in addition to enabling cattlemen to sell lower quality carcasses for Prime or Choice prices, food-service lobbyists contend that the proposal would also make it difficult for restaurants to find reliable supply sources for top quality beef.

At presstime, U.S.D.A. officials were planning a series of hearings on the proposals in at least five different cities early this year. Unless food-service and organized consumer leaders convince the department to drop the scheme, the new beef grading standards could be issued in final form by midsummer.

Cattle producers were not as successful in generating Congressional support for new Federal restrictions on imported meat, however. Beefbelt Congressmen backed down from their plan to amend last year's farm bill to establish tough new inspection requirements for foreign beef—a drive which had gained momentum following U.S.D.A. disclosures of contaminated Australian meat.

Food-service lobbyists opposed to such restrictions, however, acknowledge that the imported meat safety issue could come roaring back to life unexpectedly this year if new evidence of foreign beef contamination surfaces.

Indications are that restaurants may have more direct pocketbook problems to worry about in Washington this year, however.

Top Reagan Labor Department officials are drafting a series of major changes in Fair Labor Standards Act enforcement practices, including a proposal to stiffen the already severe civil penalties for violations of Federal minimum wage and overtime pay requirements. According to policy makers at the department, the proposals under development now would also make it far easier for Government wage and hour enforcers to obtain back pay awards from restaurant operators and other employers charged with infractions of the act.

In addition, the department's Wage and Hour Division is scheduled to uncork a new salary test rule for minimum wage exempt supervisory workers within the next few months.

Currently, administrative personnel and other supervisory employees earning more than $155 weekly are exempt from Federal rules requiring overtime pay scales for hours worked in excess of 40 per week. Although incoming Reagan labor officials suspended a Carter Administration rule which would have increased this "white collar" salary test level to $225, the department is planning to announce an increase in this exemption by summer.

One formula under consideration by the Reaganites would allow the $225 weekly minimum pay floor to take effect, but set a lower ceiling (about $191) for supervisory employees in restaurants and retail outlets.

The Federal minimum wage rate—currently $3.35 per hour—figures to come under pressure itself this year from organized labor.

Union lobbyists are expected to launch a major new election-year campaign for sharp hikes in the national pay floor similar to those proposed last year by the Government's Minimum Wage Study Commission. Among other things, that panel called for eliminating the present Federal minimum wage exemption for small food-service establishments, boosting the salary test threshold for exempt workers to $268 per week, focusing the bulk of wage and hour enforcement on "problem" employers (such as restaurants), and creating an escalator provision to ensure automatic future increases in the hourly wage floor.

On top of these changes, organized labor is also expected to resurrect separate proposals to lower the national workweek from 40 to 35 hours—a move that could add hundreds of millions of dollars in overtime pay costs for restaurants—and to cut back even further on the present 40% Federal tip allowance.

The Reagan Administration, meanwhile, is pushing for still other changes likely to affect food-service labor costs and practices, including a new immigration policy which would hold restaurateurs and other employers responsible for detecting illegal aliens in the workforce.

On the positive side, the Administration has pledged to propose new tax incentives to encourage businesses to hire additional workers as a substitute for the current Targeted Jobs Tax Credit program scheduled to expire at the end of this year.

Congress, on the other hand, is gearing up for serious debate on a variety of legislative proposals sure to pose major problems for the food-service industry. Among the top restaurant concerns on the Congressional calendar now:

- A Federal beverage container deposit mandate prohibiting the sale of "throwaway" cans and bottles nationwide. (In addition to driving up labor costs for many food-service operators, opponents contend that such a national deposit requirement would create nightmare sanitation problems for the industry.)
- A "Malt Beverage Interbrand Competition Act" allowing brewers to require restaurants and taverns to purchase beer from a single designated distributor. (Besides eliminating price competition among malt beverage suppliers, critics of the pending "beer bill" fear that passage would encourage other supplier groups to seek similar antitrust exemptions to establish exclusive territories for their distributors.)
- Legislation sharply restricting the availability of low-interest Industrial Revenue Bonds to restaurants and other commercial businesses. (Under this measure, fast feeders and other restaurant chains would not be able to use Federally subsidized IRBs to finance construction of new units except in "economically disadvantaged" areas.)
- A Federal antipolygraph bill prohibiting employers from requiring workers to submit to lie detector

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The meat of the U.S.D.A. proposal

- *Beef carcasses with only "moderate" marbling would be graded U.S.D.A. "Prime."* Under the present system, beef must have at least "slightly abundant" marbling in order to be sold as Prime. The proposal would reduce minimum marbling requirements for Prime carcasses by one full marbling score.
- *Carcasses with "modest" or "small" marbling scores would continue to be designated as U.S.D.A. "Choice," while those with only "slight" marbling would be graded Choice as long as they have at least 0.3 in. of fat over the 12th rib and that fat is no more than slightly yellow in color.* The present system requires cattle to have at least a "small" amount of marbling to qualify as Choice, while carcasses with "slight" marbling are placed in the U.S.D.A. "Good" category.
- *All "A" and "B" maturity cattle with less than 0.3 in. of fat over the 12th rib and only "slight" marbling or yellow fat would fall into the Good grade.* Currently, carcasses with "slight" marbling scores are designated U.S.D.A. Good, while those with only "traces" of marbling or less are graded U.S.D.A. "Standard."

Under the cattle industry plan, the U.S. Standard designation would be eliminated altogether, and all carcasses that fail to qualify as Choice would be graded Good.

As under the present system, the proposed grading standards would require that all "B" maturity carcasses have additional marbling to qualify for a given grade.

According to the National Cattlemen's Association, these changes are needed to discourage ranchers from overfeeding cattle to produce more heavily marbled carcasses, and to promote the production of more lean beef favored by nutrition-conscious consumers.

NCA officials maintain that the new grades will result in reduced beef prices because average cattle feeding time will be shortened by as much as a full month.

In addition, spokesmen for the cattle industry dispute claims by food-service leaders that the grading revisions will have a negative effect on the palatability of beef. According to NCA, tenderness and flavor is determined by the age of the carcass, not the amount of fat or marbling.

Acquisition trend accelerates

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fallen short of the mark in the results of some of these mergers and are realizing it is not a land of unlimited milk and honey.

An exception may be General Mills, which has the leader in the family seafood market (Red Lobster) and one of the strongest chains (York) in the ailing budget steakhouse market. Moderate expansion looks promising in its Darryl's theme restaurants, but Casa Gallardo Mexican dinnerhouses and San Diego-based Good Earth health food restaurants appear to be stymied.

It still seems as if the British are indeed coming as conglomerate Unigate recently acquired Casa Bonita and its Taco Bueno fast food Mexican units.

West Germany's Wienerwald has its hands full with its two American restaurant chains, Lums and IHOP.

Pressure is mounting on family-owned chains too. Valle's Steak Houses is slated to be sold to a new company of noncompany executives and private investors.

Typical of the trend toward operator acquisitions is the expansion of Custom Management of Pennsylvania, which acquired Macke's and Ogden's health care division as well as Key Management's college feeding operations. (Macke had been acquired by Allegheny Beverage.)

Holiday Inns has Perkins Cake n Steak, while Carlson Companies of Minneapolis has Radisson Hotels, Country Kitchen and TGI Friday's.

To many conglomerates, running food-service chains has become more trouble than it's worth. To many chains owned by conglomerates, the early promise has turned sour. And to those chains which remain independent, the temptation to be acquired or to acquire someone is great—but the reality calls for extreme caution before jumping into these ventures.

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Soaring building costs spur a search for smaller sites

With the costs of building new restaurants rocketing, chains that can afford new-unit expansion will be looking for smaller lots on which to build smaller restaurants in 1982.

The chains that have been stunned into submission by real estate and construction costs will be cutting the staffs of their expansion teams.

Few in the industry feel the best sites have already been staked out. Instead, they agree, the science of site selection will have to become sharper. It will be supported by: computer banks loaded with the new U.S. Census data: creative financial experts, and hard-nosed bargainers.

The big chains will try to wring more dollars out of a territory by filling in the gaps between units with smaller units. The smaller chains are looking for conversions to reduce their risks.

Long gone are the days, industry veterans agree, when the entrepreneurs among them could find a good site by circling overhead in an airplane and drop a flour sack to mark the spot of their next unit.

Chains clamped down on site selection criteria several years ago when they followed McDonald's lead and prepared strict formulas for projecting sales on a proposed new site.

In 1977, for example, KFC was coming out of a tailspin when they switched to a computerized site selection procedure.

This year, KFC plans to add 90 newly built company stores to the current chainwide United States total of 4,448. But their main emphasis will clearly be on making the best of the sites they staked out early in the industry's life. One-hundred-twenty company units are slated for remodeling this year.

Burger King and Wendy's both are examples of big chains moving to match the size of their restaurants with the size of their new, smaller markets.

"The decision [to go to smaller units] is not new," said Wendy's spokesman Denny Lynch, "but the priority, the emphasis, is. The decision to go with it was made this year."

Wendy's, he said, plans prototypes this year which will have no seats. Instead, the new stores will be drive-thrus or walk-ups only.

The Wendy's walk-ups would be dropped into downtown urban locations, where the costs and projected volume and profitability would normally be prohibitive, Lynch said.

The drive-thrus, Lynch said, would be nestled in suburban areas between several sit-down stores. A new full-size store would normally cannibalize traffic from one of the others, but a drive-thru would simply complete saturation, he said.

Burger King, which plans to add up to 300 units this year to last year's 2,915 United States units, will be stepping up the pace of its 50-seat-unit growth.

Over 70% of the chain's new units in 1981 were the 86-seat BK-86 models, which require $560,000 for land, building and equipment and a 35,000-sq.-ft. lot. But that share will decrease this year as Burger King moves into smaller markets.

The 50-seat BK-50 costs $450,000 for land, building and equipment and needs only 25,000 sq. ft.

While the big chains are finding proven locations in the back-fill method, smaller chains are finding proven locations in conversion.

Defunct gas stations, according to Bob Bryant, president of Dobbs Houses, "make excellent sites. And the major oil companies have excellent real estate departments."

Dobbs Houses, which operates 250 Steak n Eggs and Toddle House restaurants, finds gas stations well-tailored for conversions.

Conversions cannot work well for restaurants that depend on their architecture for signage, though. Defunct pizza, Mexican or other specialty restaurants cannot be converted from one to the other cheaply, Bryant said. So the only alternative is to tear them down.

Aculpulco y Los Arcos, the growing Mexican dinnerhouse chain, though, has been going the conversion route. The chain was to have 30 units by 1981 year-end with aggressive plans for this year.

Despite the growth plans of some chains this year, others will still be feeling the effects of high interest rates and a continued recession in the construction industry.

Industry insiders expect to see real estate and expansion staffs cut back this year if the economy fails to improve. Faced with minimal growth, 180-unit Druther's, which used to be called Burger Queen, was forced to lay off several employees in its expansion department, for example.

Executives agree that 1982 will be a year of conservative decision-making in real estate. But with the new U.S. Census data supplied last year, planners enjoy the most up-to-date and detailed information they have had in years.

STANDOUT INDUSTRIES AT A GLANCE

(Third Quarter 1981)

The Best		The Worst	
Industry	% Change in Profits vs. 1980	Industry	% Change in Profits vs. 1980
Steel	+1,609	Food & Lodging	−11
Tire & Rubber	+ 114	Electrical	−13
Special Machinery	+ 51	Office Equipment	−14
Oil Service & Supply	+ 48	Paper	−21
Chemicals	+ 36	Metals & Mining	−25
General Machinery	+ 32	Airlines	−30
Retailing (Nonfood)	+ 22	Building Materials	−35
Utilities	+ 21	Real Estate & Housing	−76
Railroads	+ 20	Automotive	Net Loss
Beverages	+ 19	Savings & Loan	Net Loss
All-Industry Average	+ 11		

Source: *Standard & Poor's Compustat Services Inc.*

Food service facing active legislative agenda

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tests. (Such a national polygraph ban would strip food-service chains of one of their most effective tools for detecting dishonest employees or job applicants, opponents contend.)

In addition to these proposals, there's an outside chance that Congressional franchise "reformers" may launch yet another drive to enact Federal restrictions on unilateral terminations and nonrenewals by fast-food franchisors. Another dark horse legislative possibility of concern to burger chains is the prospect of further action by Rep. Benjamin Rosenthal (D-N.Y.) to clamp down on cut-rate Small Business Administration loans to franchisees of large corporations.

But at the same time, lobbyists for the restaurant industry will be pushing legislative proposals of their own.

One such measure would extend Federal energy tax credits to food-service operators who purchase energy saving equipment or materials. Although similar credits have been available to both residential and industrial energy users for several years, commercial establishments are not currently entitled to the same tax breaks.

Another key food-service-supported measure sure to be reintroduced during the new session would stimulate restaurant business across the country by allowing companies to tax deduct the cost of offering workers off-premises meals as an employee benefit. Currently, employers may deduct only the value of meals served to workers on their own premises.

Unfortunately, the legislative outlook for both of these measures appears to be dim in view of Reagan Administration resistance to virtually all Congressional proposals which would further drain Federal tax revenues. Indeed, there are reports that a series of White House-backed "tax enhancement" proposals likely to surface soon may well include increased Federal excise taxes on liquor, beer and wine.

The brightest spot for food-service chains on this year's legislative agenda may well be the current Congressional drive to streamline the Treasury Department's costly and cumbersome Federal pension rules.

The next 12 months should also see some significant decisions by the Federal courts in a number of areas of concern to the food-service industry.

Attorneys for the National Restaurant Association are considering legal action to force a showdown with the American Society of Composers, Authors and Publishers on the issue of whether restaurateurs may legally use home radios to provide background music in their establishments without paying royalties to copyright holders.

In a separate case, a Federal appeals court is preparing to hear the Government's appeal of a potentially landmark legal victory by Morrison's on the employee meal credit issue.

Despite Reagan Administration efforts to pare down on burdensome Federal rulemaking, food-service operators are again faced with more than their share of Washington regulatory headaches.

Besides the U.S.D.A. meat grading scheme and the Labor Department's imminent minimum wage enforcement crackdown, restaurant industry lobbyists are concerned about a wide range of proposed shifts in agency policies and pending regulations, including:

- Small Business Administration plans to revise the size standards for food-service firms eligible for Federal loans and loan guarantees.
- Still-to-be-released Agriculture Department proposals to radically alter Federal school lunch program standards.
- New Equal Employment Opportunity Commission enforcement guidelines involving on-the-job sex and age discrimination.
- Proposed revisions in the Food and Drug Administration's model food-service sanitation ordinance.
- Rapidly shifting Federal Trade Commission policies governing industry advertising practices and Government merger enforcement strategies.
- Controversial U.S.D.A. regulatory interpretations governing meat labeling by food-service central kitchens and licensing under the Perishable Agricultural Commodities Act.

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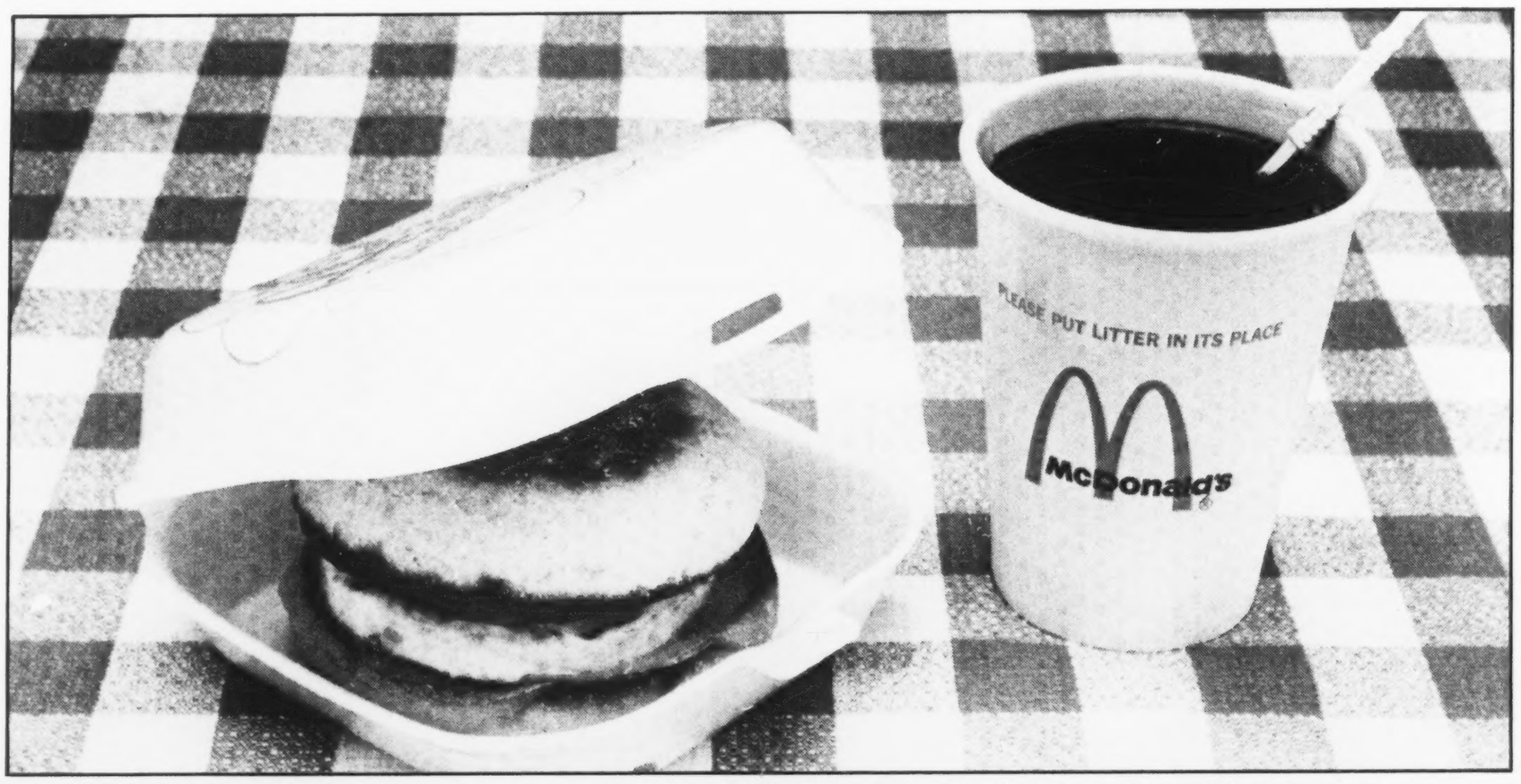
Breakfast competition gets serious



McDonald's will face stiff competition from other fast feeders in the battle for the 1982 breakfast market.

Think of breakfast as a doorway restaurant operators are crowding around.

The doorway is slowly getting bigger. The glimmer of profit across the threshhold is bright. Still, only so many can get through.

In the growing crowd, pushing and shoving are inevitable. The quickest and fittest do get through. Some, of course, get bruised. Naturally, not everyone makes it.

How does that picture affect 1982?

Simply, this will be the year the pushing and shoving to get a share of available restaurant breakfast business gets serious.

The last two years breakfast traffic grew quarter by quarter—except for a slight decline last winter. Breakfast became a key part of operations for many companies. It became evident that fast-food chains' expanding breakfast business was coming at the expense of coffee shops.

The breakfast field crowded rapidly as more and more jostled to get through that doorway. By the end of 1981, suspicion grew that the breakfast pie is not nearly big enough for all who want a piece of it.

What the reaction to these factors will be for most of the coming year is already apparent.

- Fast feeders without an established morning business must offer distinctive products and clearly differentiated marketing strategies.
- Coffee shops must war with price and build their weekend and family market with price and advertising.
- Food-service management companies serving private industry must promote breakfast to their clients; the business is there if they can get a foot in the door.
- School contracting may possibly open up for some with a fallaway of U.S. Government support.

Most visible in the breakfast fight will be the fast feeders. The storm of battle broke in this segment eight years ago when 7-Eleven convenience stores introduced hot breakfast sandwiches and McDonald's answered with the Egg McMuffin. McDonald's added a full breakfast line in 1977-81 breakfast sales were an estimated 17.9% of the chain's total sales. Other fast feeders like Hardee's followed McD. Some major ones held back.

Burger King did not decide to add breakfast nationally until last spring. About three-quarters of Burger King's units still do not serve breakfast.

At Wendy's, breakfast is still being tested and no timetable for a rollout decision has been disclosed.

Arby's franchisee Horn & Hardart is serving breakfast in New York but Arby's company store testing is still "down the road," said a spokesman.

There's no doubt that fast food breakfast gains that have occurred have been at coffee shops' expense. Coffee shop breakfast sales erosion has hit those menu items also offered by fast food chains.

Nonetheless, fast feeders seeking new breakfast business will try to differentiate themselves from competitors.

Jack-in-the-Box is testing breakfast croissants with fillings of sausage and egg, bacon and egg, ham and egg and ham, bacon and cheese in units in Phoenix and Houston.

Hardee's is stressing its Homemade Biscuit Breakfast—biscuits filled with a choice of sausage, ham, or beefsteak along with scrambled eggs. (Not all McDonald's, even in the South, offer the company's biscuit and sausage.)

It's clearly a fight. At Burger King units with breakfast, sales of the new items were well under 10%, several months after introduction. To build breakfast sales it seems likely that fast food chains new to the market will have a hard battle against the McDonald's, Hardee's, 7-Elevens and others who were there first.

At one time the key to building fast-food breakfast sales was supposed to be putting in drive-through windows. A study by analyst Carl DeBiase, comparing McDonald's and Hardee's recent breakfast sales indicates, however, that the advantage of a drive-through has been neutralized as so many drive-throughs have been added.

DeBiase also observed that neither new product additions nor promotions seemed to boost breakfast sales at the chains he studied.

He did indicate that units that took telephone orders are getting significantly more breakfast sales than other stores.

Coffee shops, primary victims of this intense fast-food competition for breakfast business, are fighting back with advertising, price specials and some menu adjustments of their own.

Denny's has generated incremental breakfast traffic with heavy TV advertising of its $1.99 Grand Slam breakfast. The chain has also sought family breakfast business, especially on weekends, with its 75¢ children's specials.

As a large portion of Sambo's business fell away and breakfast sales rose to 45% of the total mix, the chain countered with its own 99¢ and $1.99 breakfasts, backed by TV promotion.

Denny's has also been effective in fighting to keep its breakfast business with new local market-targeted breakfast items like scrapple in Philadelphia and lox in Miami.

In spite of ingenious strategies, the overall attractiveness of the breakfast market may seem somewhat diminished by the end of 1982.

Looking beyond the end of the year, analyst Debiase suggested that chains position themselves to a growing, older population. He noted that this group would have increasing free time and a tendency to rise early.

Restaurant stocks should outgain others

Restaurant stocks as a group this year should once again outperform the market.

That's the general consensus on Wall Street, where securities analysts view the outlook for food and labor costs and customer traffic as boding well for a number of restaurant companies.

A 21-stock restaurant group tracked by E. F. Hutton advanced 103% from March 1980 through June 1981, compared with a 29% rise by the Standard & Poor's 500-stock index. (At the same time, the Dow Jones industrial average gained 24%.)

The group's performance slacked in the third quarter, declining by 19% against an 11% drop by the S&P 500. In October, the restaurant index was up 9%, compared to a 5% advance by the S&P 500. In November, the index was off 3%, while the S&P 500 advanced 3.7%.

According to Michael Culp, vice president at E. F. Hutton, restaurant stocks this year should edge up by 25% for any 15% gain by the S&P 500 stock index.

Analysts cite several reasons for being bullish on restaurants:

- The tax cut enacted last summer should spur some consumer spending. As a result, the restaurant industry should "share in incremental disposable income" to some degree, according to William Paternotte, an analyst with Alex Brown & Sons of Baltimore.
- There's likely to be less inflation in some "necessity" consumer items—energy, home mortgage costs, food—than there has been for several years, thus further easing pressures on consumers' pocketbooks.
- Restaurant operators are likely to forego sharp price increases because food and labor costs (there's no minimum wage increase this year) have stabilized.
- Customer traffic could increase as a result of the industry's slower expansion pace.

Taken together, these anticipated scenarios could result in what William Trainer of Merrill Lynch sees as an overall "improvement in the financial footing" of food-service companies.

Improvement in bottom line is not likely to go unnoticed by investors, who last year showed a particular interest in consumer stocks, according to Trainer.

Investors' approach to the restaurant group is likely to be characterized by a degree of selectivity, however, mainly because stocks of some major companies are now considered efficiently priced.

But investors' opportunities should remain plentiful, analysts feel.

"I see an ongoing number of opportunities," said Roger Lipton, President of Lipton Research, a division of Ladenburg, Thalmann & Co. "There are just as many opportunities to outperform the economy and to outperform the stock market as there were a year or a year and a half ago."

NRN FOCUS

FORECAST 1982

Moderate food price increases expected in '82

Overall food prices for 1982 should rise moderately—at a rate of approximately 3%-5% over 1981—if predictions of agricultural economists in the U.S. Department of Agriculture hold true for the entire year. Some foods will ease a bit in price and some will show hikes well above the averages, but in general, food prices should trail the rate of inflation, good news for food-service operators.

Red meat, particularly beef and pork, are the critical sector of prices for the operator. However, estimates of price increases for these two center-of-the-plate commodities are for a range of 3%-5% increase in the first part of the year and a 4%-6% rise in the last half, holding fairly close to the overall rate of increase seen for food as a whole.

The limiting effects of the supply and demand law are nowhere seen as clearly as they are in meat. The operator is at the mercy of two major forces in the marketplace: The producer, who tends to curtail herd or flock when prices are low, and the housewife, who cuts back purchases of meat when prices rise above an invisible threshold. Throughout 1981 this effect was seen as prices rose and fell from about 90¢ a pound at the Midwestern slaughter houses to about $1.15 in midsummer. At the lower prices, producers brought less cattle to market. At the higher prices, the housewife stopped using beef as her main meat and turned to pork and poultry. Each action limited the price trend, and in most cases turned it around substantially.

Three factors are expected to hold beef prices in the 3%-5% rise range. These are anticipated lowering of interest rates through to the second quarter of this year, and lower feed prices through the first half. Costs of raising a pound of beef to the producer will therefore hold steady or even fall about 2%-4%. At the same time, tighter consumer expenditures will also help hold prices down, even though overall costs of labor, transportation and non-feed supplies are expected to rise at the inflation rate, which may be from 8%-10%.

Meat, however, is one of the most volatile commodities, and is affected by a wide range of influences. For example: A move by consumers to use the scheduled 10% tax cut in July to purchase food could drive prices up to 10% over 1981 within a short period.

Hog producers have been disenchanted with the return they have been getting recently, particularly during the last two months of 1981. As a result, hog production will be progressively cut back throughout 1982 unless hog prices rise. With the increasingly large spread between the price the producer gets for hogs and the price the operator pays for pork, it's not expected that overall hog production will expand until perhaps the very end of the year.

This means that hog prices will climb, even though the rise expected is not much greater than that for beef. Affecting the price of hogs is the competition of poultry, particularly broilers. Because the average consumer sees poultry as an acceptable substitute for pork, the price of broilers acts as a cap on the price of the meat.

Overall rise in pork prices to the operator should be in the 7%-9% range as the production falls about 4%-5% a quarter. By the end of the year, production should have turned around and prices started to moderate, keeping the overall annual rise from reaching double digit rates.

For the first quarter of this year, producers are setting more eggs which means greater production. However, producers have been in a pattern of losses for several years, and only the prospect of continued lower feed prices through the first half of the year holds out hope of increased production bringing better returns.

As hog prices rise, broilers will also go up. Wholesale prices for Grade A, icepack broilers in an average of nine cities is now in about the 45¢-46¢ range, with that moving up to about 46¢-48¢ during the second quarter, continuing to climb during the third quarter to 50¢-52¢, and finally falling back to about 49¢-51¢ in the final quarter. This is predicated upon another good grain crop for 1982, however. If there is a short crop, the prices at the end of the year may well be in the 54¢-56¢ range. crop, the prices at the end of the year may well be in the 54¢-56¢ range. Overall, production is expected to be about 2%-5% over last year.

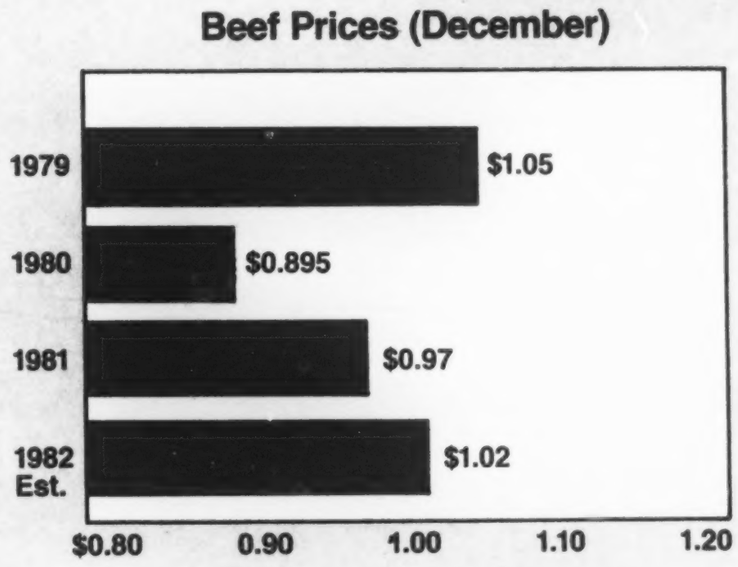
Turkeys, which were in a glutted position during the holidays, still fill freezers around the country. Production should show about a 5% decline during the year, with prices rising steadily to the fourth quarter, showing a wholesale range from 54¢ to about 70¢ by holiday time. That represents the price of a young hen in the 8-16 lb. range. Other sizes will rise in about the same proportion. Again, if grain harvests fall, all bets are off. Turkeys are priced on a direct ratio to the prices of feed grains.

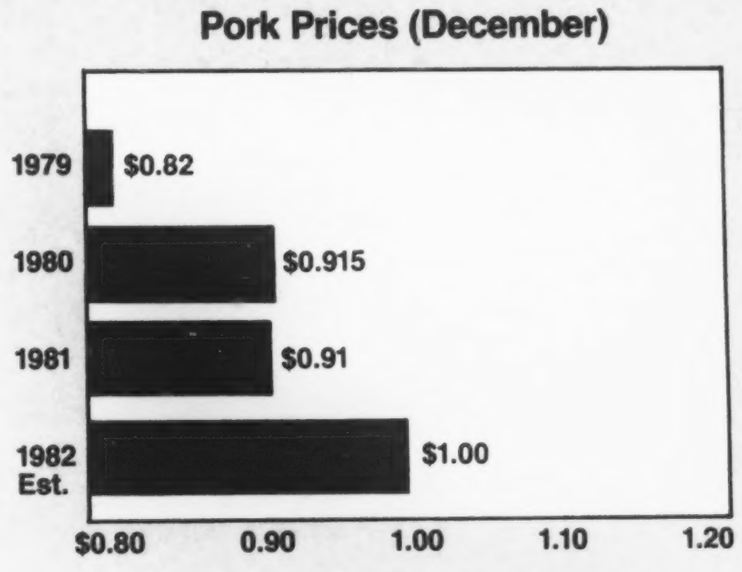
Eggs, another main protein source, are expected to rise much more than meat during the coming year. With egg producers declaring lowered production intent for 1982, the price of a dozen large eggs at wholesale is expected to rise from the low 70's this month to about 80¢ or higher by the end of the year. This is a rise from 12%-14%, based upon higher meat prices plus a drop in production of from 1%-3% by producers.

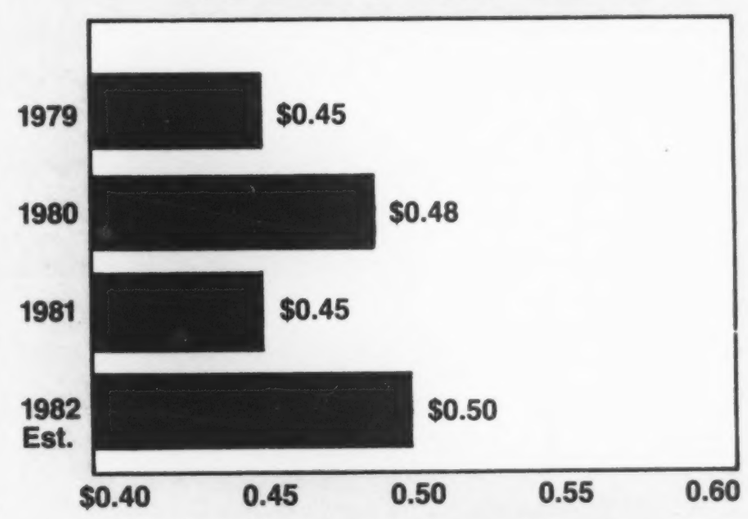
Tomato products will increase slowly but steadily throughout the first half of the year, based upon demand and lowered stocks in the

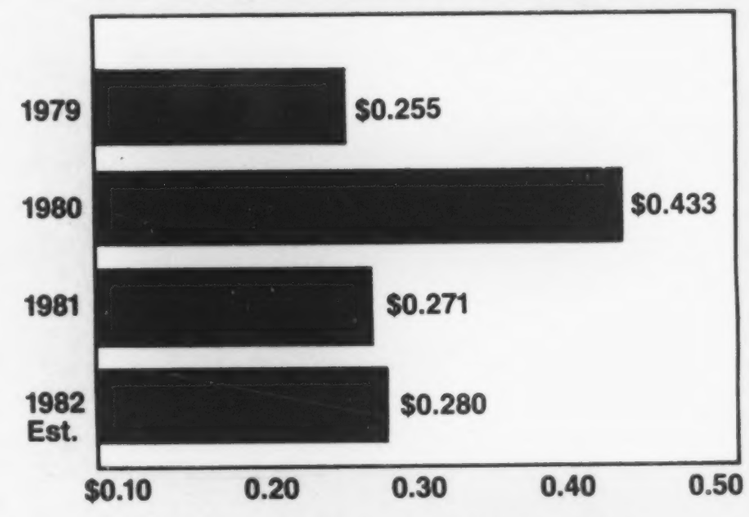
(Continued on page 78)

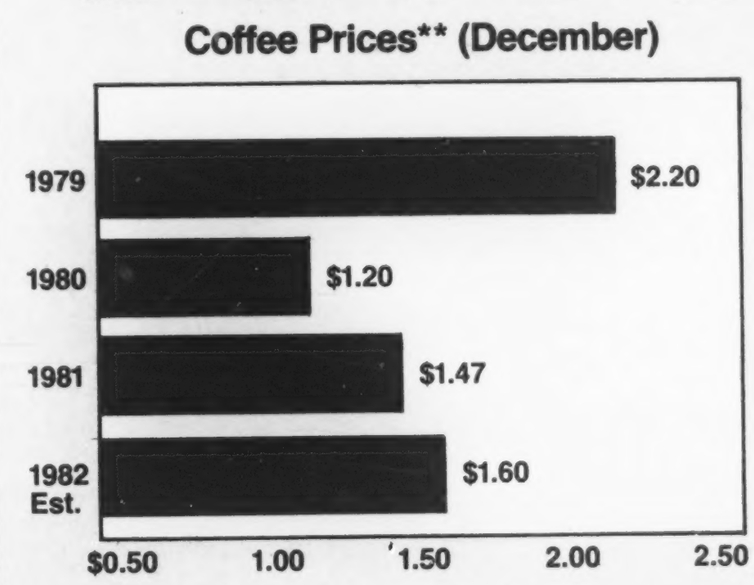
COMMODITIES OUTLOOK AT A GLANCE

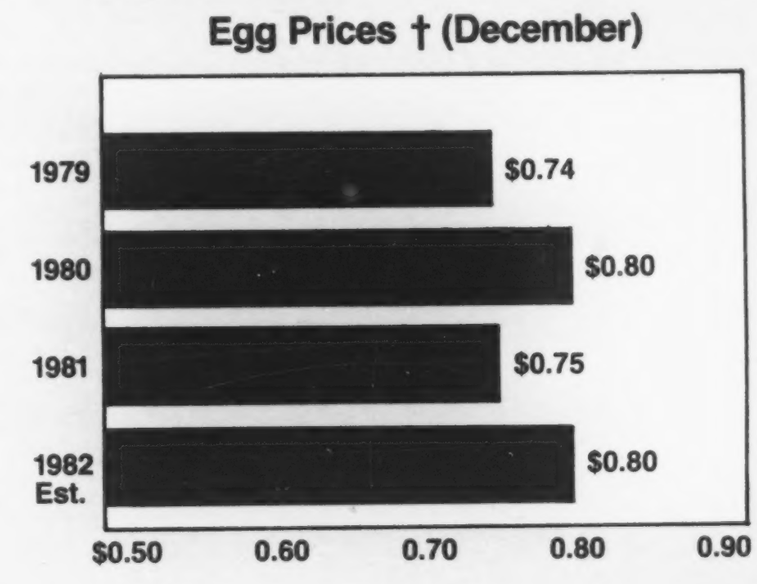












Source: *NRN Research*

*Prices for refined cane sugar, f.o.b., N.Y.C.

**Prices for green beans, f.o.b., N.Y.C.

†Prices for large, grade A (dozen), Chicago

NRN FOCUS

FORECAST 1982

Food price outlook appears favorable for restaurants

(Continued from page 76)

packers' warehouses. However, it's expected that processors will contract for more acreage this spring, increasing the pack in 1982 to as much as 15% over last year. Since processors contract in advance for about 70% or better of their entire estimated pack, if the harvest is a good one, the price of tomato products for the second half of the year should show a substantial drop—quite possibly 5%-10%.

Canned green peas have been packed in lower quantities over the past 2-3 years, although consumption has dropped at the same time. The producers sense some turnaround this year, however, and spring pack plans are expected to call for a larger processing budget if the weather permits. Frozen peas, which have had an increasing share of the market over the same period, had the smallest pack in 1981 of the last three years, and prices are up sharply. Prices will continue to rise on frozen peas as stocks are pulled down over the first half of the year, then moderate and perhaps drop again when the pack statistics for this year are revealed in late summer. With good weather, the last half prices are seen at 3¢-4¢ per pound less than now.

There are large supplies of canned green beans on hand now, and prices have moderated. They are expected to fall a cent or two per pound through spring, but will rise again by summer as canners announce plans to cut back on the 1982 pack. Big carryover, however, will hold price rises down to about 4%-5% during the second half of the year.

Frozen green beans are another story. They are up 5¢ a pound at the producers' docks over 1981, with most of the rise coming in the last three months of last year. Further increases through the first half of the year are expected, and producers' plans for the 1982 pack are still not firmed; prices may continue to rise through the second half if they do not increase stocks this summer.

Although the canned sweet corn carryover from the 1980-81 pack year was smaller than normal, the pack during last year was a bumper one, and the prices are down on a 12% increase in supplies. These lower prices should continue through the first half of this year, with a somewhat smaller pack anticipated for 1982, and small rises in the 2%-3% range for the second half.

Frozen sweet corn is a completely different picture. It rose in price over 30% between the end of 1980 and now, with further hikes anticipated based upon a pack and carryover of less than 50% of 1980's. Price rises for the first six months of this year are expected to continue, with another 4%-5% posted as supplies are drawn down by operators and consumers alike. With a bumper harvest this year, packers will probably freeze record amounts, but if there is an interruption in supply plans, frozen sweet corn could be among the endangered species on operators' menus.

Overall vegetable prices are expected to be in the same 3%-5% increase range as food prices for the year, based upon a plentiful harvest outlook.

Fruit prices will vary from species to species, but overall, the prices are expected to rise about the same as the general food price index.

Orange production is expected to have a crop about 10% lower than 1980's, and down about 20% from the record set in the 1979 harvest. The outlook for frozen orange juice concentrate, therefore is to be up about 4%-6% over present prices, with the Brazilian imports holding a lid upon higher rises. This, of course, is based upon a constant brix strength of the juice, but the recent lowering of Florida production standards to 41.8 degrees from the 43.2 degrees held throughout 1980 will change the picture if it is not overturned.

Essentially, the lowering of the brix strength means that orange juice sold to operators will be "watered down" from the concentrations they are accustomed to. They will have two options if the new strength prevails. One is to serve customers the more watery drink and hope that the fact that all juice is that strength will induce palates to accept the "lighter" taste. The other is to change the settings of the dispensers to continue to serve high brix juice, which will raise the price by at least 5%, even if prices hold steady for the new strength.

Grapefruit and lemons should be in good supply, with harvests in Texas and Florida for grapefruit up about 12% in the last period, giving good supply prospects for the rest of the winter and early spring. The California-Arizona crop of lemons was down slightly from the record set last year, but up substantially from the year before.

The outlook for noncitrus fruit is good, with moderate price increases expected in most types. Apples and applesauce prices will rise somewhat above the average, with an additional 3%-4% increase during the first half of 1982. If the crops are good, the prices by the end of the year should be down somewhat, but increased fuel costs and picking labor rates will keep a floor under any decreases.

There is a glut of sugar on the world markets, and import taxes have been imposed to keep sugar at the level set by law. Depending upon the sugar beet harvest this year, prices could stay in the cellar throughout 1982, for the carryover into the last half will be larger than normal.

Milk prices are expected to rise about 3%-5%, despite the fact that the farm bill retains the price support level at the existing rate until October. The milk price, like those for meats, depends upon the continued economic condition of the country. If the economic climate improves during the second half of this year, the price of milk will climb. If the conditions remain stagnant, there will be a hesitance to increase prices.

Rice is another bumper crop worldwide. A number of the normally importing countries have become net exporters this year, and if there is another good crop year for 1982, the price of rice should stay stable throughout.

Grain prices are directly related to the weather. With a good carryover of corn and most varieties of wheat, feed prices for animal producers are moderately to dramatically down, and this affects the prices of the meat they produce. Russia, however, has had a drastic agricultural shortage for another year, and is looking to the United States as well as other countries to make up the deficit. If demand from overseas remains low, it will affect the prices in this country. Increased acreage of winter wheat has been planted, and harvests should be good if the weather cooperates.

All in all, the outlook for price rises of only 3%-5% will offer the operator a continued supply of affordable food, running lower than the country's inflation rate. With good weather for the 1982 crop year, 1982 promises a favorable outlook for menu prices.

EATING-OUT DEMAND SURVEY

If consumers could eat out as often as they wanted, they would increase their restaurant visits as follows:

Consumer Classifications	Per Cent Increase Over Current Visits
All Adults	34%
Men	23
Women	51
Income over $30,000	17
Income Between $20,000 and $29,000	29
Income Between $15,000 and $19,999	40
Income Under $15,000	56
Ages 18-24	27
Ages 25-34	35
Ages 35-49	46
Ages 50-64	31
Over 65	25
Married	42
Single	31
Single Household	30
Double Household	25
Household of 3-4	40
Household of 5 or more	47
Eastern Residents	31
Midwestern Residents	38
Southern Residents	36
Western Residents	24

Source: *National Restaurant Association*

NRA finding: Americans want to eat out more often

If Americans could eat out whenever they wanted, restaurant crowds would be 34% bigger, a Gallup poll revealed.

The implication of the National Restaurant Association-sponsored survey of 1,694 men and women over the age of 18 is that restaurants' through-the-door traffic could be one-third greater than it is.

Other surveys indicate, however, that many would-be restaurant diners can't afford eating out right now. Increasing outlays for rents and mortgages, heating and electric bills, autos, gasoline and commutation are keeping potential customers at home.

There's some confirmation of this in the Gallup poll, which was taken in September. People likely to be most financially pressed were the most dissatisfied with the frequency they eat out now.

Low income men and women (under $15,000 a year) said they'd like to eat out 56% more than they do. Married people said they'd like to eat out 42% more often—vs. 31% for singles. Consumers with families of five or more said they wanted to eat out 47% more frequently. Those from the economically depressed industrial Midwest said they wanted to eat out 38% more.

Pent up demand for restaurant eating has been building since 1979, the NRA noted. Satisfaction of American consumers' full desire for eating out, though, will probably have to wait.

How long?

It's noteworthy that a slowing of inflation is forecast for this year and a widespread economic advance for the second half. Possibly by January 1983, many more Americans will feel confortable taking seats in the nation's restaurants.

NRN FOCUS

FORECAST 1982

Financing alternatives the key for growth

Creative financing is a key challenge for a number of restaurant companies bent on expanding or remodeling in 1982.

Despite the recent decline in interest rates, the industry is collectively wary of a renewed upturn in the cost of borrowing money. The high interest of the past two years already sent a number of operators scrambling to come up with alternative financing methods, from public offerings to industrial revenue bonds to joint equity ventures.

Since many have met with success, they're likely to intensify their efforts, while others will follow suit for the first time.

One financing option that's getting a close look is to go public. In the first 10 months of last year, at least nine restaurant companies went public for the first time, raising a total of $30 million with their initial offerings. Among them were chains as small as four-unit, Ohio-based Big Bite and as large as 300-plus-unit Carl Karcher Enterprises, operator of Carl's Jr. hamburger restaurants.

By contrast, only four companies went public in 1980.

Among chains who've hinted they might follow suit this year is Grandy's Country Cooking.

Others are likely to expand with capital secured from several sources. For example, Kelly Johnston, a franchisee of Chi-Chi's which late last year had six units operating and three under construction, expects to have a total of 17 units in operation by the end of this year. New restaurant construction is being financed through joint equity ventures, industrial revenue bonds, and from cash from last year's public offering.

Financing methods likely to be pursued by others include joint projects in which franchisors forego the initial franchise fee in return for higher royalties; projects in which franchisors lower franchisees' capital expenditures by leasing equipment to them, and Small Business Administration loans.

Some companies that don't want to see their growth slowed help franchisees obtain funds by arranging limited partnership ventures with outsiders.

Some companies, while intent on seeing their franchisees keep up a set pace of expansion, are in the position to finance growth of company-operated units entirely, or almost so, from internally generated funds.

Investors and lenders are no longer attracted by the promise that any company, no matter its concept, holds the potential of another McDonald's or Wendy's. Thus, chains whose performance lags behind the industrywide norm are likely to encounter considerable problems when they go looking for financing.

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FORECAST 1982

Budget steakhouses scrambling for new identity

Like pumpkins trying to become carriages, most budget steakhouses will spend 1982 trying to turn themselves into something else.

They'll be waving the wand vigorously with new menu items, new marketing strategies and new decors, hoping for the right magic that will shift them out of the doldrums of their depressed market segment.

They'll even be trying to get out of the budget steakhouse business altogether, either elevating their product—and its price—to dinnerhouse levels or shifting to entirely unrelated concepts.

They are doing this for many reasons. A slack economy in the Blue Collar Belt of the Midwest, escalating red meat prices, aggressive competition from the burger chains and a host of other factors conspired to cause hard times for the segment over the last few years.

These conditions, according to market analyst Robert Emerson, pushed the segment into "the very top end of the fast-food dinner market [from the] bottom end of the dinnerhouse market."

And they show no signs of abating in 1982. Rather than face another year of closing stores and declining profits, most of the segment's large companies have apparently decided they will put budget steak on the back burner and devote most of their energy to both upscaling and a plethora of nonsteak ideas.

The company with the most chips on concept diversification in 1982 is Bonanza. The 635-unit chain is betting on two schemes: a comprehensive menu-upgrading program called "Freshtastiks," and a new newly independent restaurant group called "People's."

During the next year, more than 40 People's restaurants will open. The People's concept—a family oriented $7 check average version of casual theme restaurants such as Houlihan's and Bennigan's—is intended for markets where conventional Bonanzas had closed. But in 1982 People's will take on a life of its own.

Meanwhile the company will continue to unroll Freshtastiks, its new all-you-can-eat food bar concept, throughout more of its surviving budget steakhouses. This program, which also involves a higher grade of meat than the company's old-style units serve, has added from $2,000 to $3,000 a week to weekly sales in the 175 units where it now appears, according to marketing vice president Jeff Rogers.

The segment leader, Ponderosa Systems, will also move toward long-awaited diversification and upscaling of its basic concept. It will slowly deploy its new upscale "Concept '82" throughout the system, in apparent recognition that it must reach outside its rapidly eroding blue collar market base.

Franchisees can be expected to play a major role in Ponderosa's attempts to regroup in 1982. Although the chain lost many franchisees over the last few years, officials privately say that the worst is over. A strong third-quarter performance indicates they may be right. They now give top franchisees unusual freedom in marketing, design, and new product development, several Ponderosa steakhouse operators report.

Ponderosa's home offices in Ohio could be the site of the one of the industry's major developments of 1982: the emergence of a new Mexican dinnerhouse chain.

Company officials have been touring the country's independents and small chains for some time, searching for an upscale dinnerhouse concept to replace the company's remaining unviable steakhouses. Jackson says that only Ponderosa is considering three formats—Mexican, barbecue and upscale chicken. But observers in the financial community and among the company's franchisees claim that its president, Gerald Office Jr., has opted for Mexican and has even established a separate division to oversee the concept's development.

Although the segment's smaller companies have outmaneuvered many of the difficulties afflicting its giants in the past, they too plan to upgrade their product and their appeal. Los Angeles-based Sizzler, for example, will reportedly continue to build restaurants with a new, upscale layout and decor scheme.

The chains in this segment have something else in common besides their shared realization that they must change their market in 1982 or be shut out of it. They are getting tough with marginal franchisees. Bonanza, for example, recently closed down a major franchisee in Ohio for his "chronic" failure to meet the home office's quality standards, and has moved to terminate the chain's largest franchisee for failure to meet payment schedules.

Fast-food chains intensify drive to boost market share

Opening up new meal periods and strengthening market position will be the principal concerns of fast-food chains in 1982.

These moves, already under way in the burger and chicken segments, are part of the fast-food industry's continuing evolution toward a more complete dining experience and, as a result, more complex operations; in the meantime, weaker chains are losing ground as the industry's shakeout continues.

At the same time, fast-food chains are likely to place greater emphasis on unit operations—from product consistency to staff training—to minimize the pitfalls inherent in expanding operations.

The trend away from limited menus and simple operations is perhaps nowhere more evident than at Burger King. The 3,100-unit burger chain, trying to come off last year's less-than-stellar performance, has added a wide variety of new menu items, including an entire breakfast line and dinner platters. The chain's reasoning: customers are more demanding than ever, and as competition intensifies, it takes more than burgers to distinguish oneself from the store around the corner.

Moreover, there's an important financial consideration involved as well. According to Roger Lipton, an industry analyst, "the ability to serve a broad menu becomes a practical necessity when the investment has escalated to close to $1 million" for a fast-food store. "Compound this investment by today's interest rates, and it becomes clear that it is difficult to pay the rent serving burgers or tacos alone."

Like Burger King, other fast-food leaders are broadening their menus. McDonald's, for example, is likely to come out with a pork sandwich to

(Continued on page 88)

FOOD AND LODGING INDUSTRY 1981 RESULTS

(15 Selected Companies)

Company	SALES Third Quarter 1981 $ Mil.	SALES Change From 1980 %	SALES Nine Months 1981 $ Mil.	SALES Change From 1980 %	PROFITS Third Quarter 1981 $ Mil.	PROFITS Change From 1980 %	PROFITS Nine Months 1981 $ Mil.	PROFITS Change From 1980 %	MARGINS Third Quarter 1981 %	MARGINS Third Quarter 1980 %	Return on Common Equity 12 months Ended 9/30	Price-Earnings Ratio 10/23	12-Months' Earnings Per Share
Caesar's World (5)	170.7	10	447.5	12	14.1	127	18.2	– 21	8.3	4.0	23.6	7	1.33
Church's Fried Chicken	100.2	8	285.4	11	10.5	36	30.1	25	10.5	8.3	27.0	7	3.48
Denny's (6)	241.3	16	676.6	17	10.7	41	24.2	80	4.4	3.6	17.6	9	3.25
Gino's	92.0	0	246.9	1	2.5	– 27	0.9	– 77	2.7	3.7	5.7	23	0.55
Hilton Hotels	148.0	5	455.7	7	26.4	2	83.3	4	17.8	18.3	23.6	9	4.12
Holiday Inns	488.3	18	1,341.3	19	57.7	50	124.3	29	11.8	9.2	19.3	7	3.61
Host International	106.6	11	300.3	13	0.8	– 83	2.3	– 79	0.7	4.8	6.9	13	1.14
Marriott	503.4	15	1,379.6	17	28.2	12	64.4	17	5.6	5.8	26.2	11	3.04
McDonald's	668.1	13	1,880.2	14	75.8	19	203.6	21	11.3	10.8	22.3	10	6.32
Ponderosa Systems	91.6	16	277.4	12	2.7	155	3.9	13	3.0	1.3	7.5	12	1.22
Ramada Inns	110.2	11	309.1	11	– 32.6	—	– 24.4	—	—	5.6	– 11.2	—	– 0.64
Resorts International	100.1	– 4	276.2	– 7	– 10.0	—	– 2.6	—	—	12.2	0.7	—	0.10
Saga	193.6	12	613.7	12	2.1	115	7.4	125	1.1	0.6	18.4	7	2.58
Sambo's Restaurants	125.6	2	367.8	– 1	– 13.1	—	– 29.8	—	—	—	—	—	– 2.70
Webb (Del E.)	140.6	19	386.5	6	5.1	257	15.1	84	3.7	1.2	8.5	7	1.14
INDUSTRY COMPOSITE	3,280.1	12	9,244.1	12	180.8	– 11	520.9	– 2	5.5	6.9	17.4	10	3.27

Source: *Business Week*

NRN FOCUS

FORECAST 1982

Fast-food chains seek more reach

(Continued from page 87)

strengthen its dinner market, while Wendy's is banking on a breakfast line to increase average unit sales.

In the chicken segment, where sales have traditionally been stronger at dinner, KFC is attempting to boost lunch traffic with a chicken breast filet sandwich.

A similar philosophical approach to satisfying the consumer's appetite for new items and boosting sales is now also evident elsewhere. Jerrico's Long John Silver's fast-food seafood chain, for example, is testing a baked fish product that company officials hope will open an entirely new market for the 1,100-unit chain.

The "me-too" approach to menu introductions, however, can have pitfalls. Not all new programs are equally successful at every unit; breakfast may be profitable at one Burger King restaurant while a losing proposition at another. Finding a way to balance the demands of individual operators while at the same time promoting a consistent image chainwide, will occupy much of the fast-food industry's collective management minds this year.

Moreover, all these efforts are costly, and result in increasingly complex operations that create a need for greater management expertise if standards of quick service and product consistency are to be upheld. Thus, the coming year should see more stress on unit-level operations by way of decentralization, a course now taken by Burger King, among others.

As competition for market share intensifies, chains already on strong fiscal footing are in the best position to adapt to changing times; they have the resources to continue unit expansion programs while developing new management expertise. Weaker companies may well find themselves in serious trouble.

TOP AD SPENDERS IN SIX SELECTED MEDIA

January—June 1981

Chain	Total (millions)	Media Used					
		Magazines	Newspaper Supplements	Network TV	Spot TV	Network Radio	Outdoor
McDonald's	$55,703.6			X	X	X	X
Burger King	20,464.4	X		X	X		X
KFC	15,783.8			X	X		X
Wendy's	11,261.9		X	X	X	X	X
Red Lobster	10,562.9				X		X
Pizza Hut	10,361.9		X	X	X		X
Long John Silver	8,545.6				X		X
Denny's	6,022.7			X	X		X
Arby's	5,325.3		X	X	X		X
Jack-in-the-Box	4,483.0				X		X
Hardee's	4,174.7				X		X
Sambo's	4,088.6	X			X		X
Sizzler	3,690.5		X		X		X
Dairy Queen	3,572.1				X		X

Source: *Leading National Advertisers Inc.*

Growth foreseen in coffee shop segment

Demographics and changing consumer attitudes could favor growth for the coffee shop/family restaurant segment in 1982 and beyond.

Those who are bullish about the coffee shop/family restaurant segment point to several examples of strengths of chains within the segment to support their theory that coffee shops and family restaurants are best positioned to offer consumers what they want in the 1980's.

Bob Evans Farms Foods, a darling of Wall Street analysts, is a strong Midwest-based family restaurant chain with average unit sales closing in on $1 million a year. The 74-unit chain appears to be doing just about everything right.

Denny's, which is upgrading older units and slowing expansion, posted a 41% earnings increase for the first quarter ended Sept. 25. Friendly's, which upgraded the decor and service system and expanded the menu to reposition 400 units as family restaurants, reported at one point last year that average unit sales were running 17% ahead of 1980 sales.

Shoney's Inc., which operates Shoney's Big Boys, has reported sales and earnings increases in every quarter for the last 21 years.

In 1982, coffee shops and family restaurants will continue to stress the quality and value of their products and service. They are targeting their ads to those who are trading up from fast food and those who are trading down from dinnerhouses.

Annual per-unit volume is expected to remain strong. The top national and regional chains, as well as strong local chains such as Lyons in southern California, have average annual unit sales in the $900,000-to-$1.2-million range.

Check averages remain surprisingly low throughout the segment. Average unit volume for all chains in the segment was about $675,000 last year. Food costs were about 35% and payroll costs nearly 29%.

Coffee shops/family restaurants have a pretax profit of 5.3%. About 46% of coffee shop customers are between the ages of 25 and 49 and more than 37% of the customers earn between $8,000 and $14,999.

Breakfast continues to play an important role in coffee shop sales as well as advertising and promotion plans. Breakfast accounts for 26% of segmentwide sales.

Many of the segment's largest chains have tough problems to overcome. Sambo's after reporting a $29 million loss for the first nine months of 1982, shut 447 stores and filed for Chapter XI bankruptcy. Nineteen eighty two will obviously be critical to Sambo's survival.

Some older chains—IHOP, Howard Johnson and Perkins—are struggling to get back to former levels of profitability. At HoJo's much will depend on new directions initiated by G. Michael Hostage who replaced Howard B. Johnson as chairman and president.

Lady Luck smiles on some dinnerhouse chains

Paddlewheel riverboats may be scarce these days but gamblers are not.

This year will again see a stack of dollar bills bet on the dinnerhouse/specialty restaurant segment that has produced a lot of winners—and some big losers, too.

Call them adult fun, theme, specialty restaurants or what you will, they are "in" and to many represent "the restaurant of the 1980's."

Chains in almost every segment are working behind the scenes to come up with their own T.G.I. Friday's, Houlihan's or similar dinnerhouse concept.

Ponderosa has reportedly established a new division to develop a Mexican dinnerhouse. Campbell Soup Co. will look for sites in Philadelphia, New York and Washington for its new McDoogal's Fun 'N Foodrinkery. Chart House will convert 14 Cork 'N Cleaver restaurants to Cisco's Mexican dinnerhouses and build about five more Cisco's from ground up.

Pillsbury's Steak and Ale plans to more than double its 53 Bennigan's by mid-1983.

Obviously the move is continuing away from steak and beef to broad and changing menus.

That food is often "light" only in name as popular items are often bar foods designed to enhance the segment's already high liquor sales.

Steak & Ale's board chairman and ceo Norman Brinker pointed to high demand for hot appetizers served at the bar in Bennigan's.

Biggest limited menu trend for 1982 will continue to be Mexican.

Fighting for new markets in the Midwest, mid-Atlantic and Northeast will develop between W. R. Grace's El Torito-La Fiesta group, Chi-Chi's, General Foods' Guadala-Harry's, General Mills' Casa Gallardo and others.

Barbecued ribs will certainly get their trial. Tony Roma's just opened a new unit in New York that may be a bellwether of future expansion plans.

Chart House is plotting an ambitious franchising program for recently acquired Luther's Bar-B-Que.

That a dinnerhouse investment is a gamble is evident in the problems of limited menu and theme restaurants. Quaker Oats' flagging 92-unit Magic Pan chain, which once did so well with crepes, is now on the block. Victoria Station, once a tremendous success with prime rib and railroad cars, is now turning around after two years of struggle. The problems that led to losses of $7.6 million in two years grew out of the menu and, to some extent, the theme that originally led to large profits.

On the other hand, General Mills' Red Lobster and West Coast-based Hungry Tiger seem beneficiaries of a long-term growth in demand for fish and seafood products.

Red Lobster plans about 30 new restaurants for 1982—on a base of 300. Hungry Tiger says it will add six new units in fiscal 1982 to the 29 in operation.

For 1982 and beyond, the dinnerhouse segment has, for the most part, opted for diversity of menu, a wider audience and concepts easily adaptable to changing times. But what is sensible today may not be tomorrow. Much current expansion still has to be rated a gamble.

NRN FOCUS

FORECAST 1982

Department store feeders adapt to working women

According to managers of department store feeders, the biggest surprise this year will be the absence of the captive shopper. Discount and variety store operators will be refurbishing soda fountains and changing in-store locations.

Working women have changed the chemistry of department store traffic and in doing so changed the profile of the restaurant's customer.

"Gone is the image of the woman who stays home, drifts around a department store and finally orders a tuna on rye" in the restaurant, says Alan Reyburn, director of restaurant development for Bloomingdale's. "More and more women are at work instead. That's a dominant factor in our business as 85% of the store's customers are women."

It boils down to a new picture for the department store restaurant. Many will have to face the fact that they must seek, develop and market to a new clientele, something many of them are not used to doing, says Federated Department Store's director of food operations Rick Ring.

More stores are likely to imitate those that have been successful by providing restaurants that enhance the store's image, develop programs that dovetail with the store's retail strategy and merchandise within the unit on a regular basis.

"What I think you might begin to see," says Bob Jones of Nieman-Marcus, "is the establishment of different price points for different areas of the store, or 'boutiquing.' " For instance, the high-priced women's sportswear department might contain a small cafe or a movable kiosk that would serve English tea.

For some that may mean hiring an outsider to do the job. Long ago Macy's installed a local concept, P. J. Clarke's, into their successful Cellar, an upscale housewares department. More recently, however, Bergdorf Goodman hired a retail operation called Pasta and Cheese to open a cafe featuring their products in the New York store. San Francisco's I. Magnin, which has never operated a restaurant, asked a local restaurateur, Narsai David, to run a cafe, bakery and charcuterie in the store.

"Food service with largely unqualified leadership and a lack of true conviction by store management may find this is the way to go," says Reyburn, but he cautions that the department store loses some control.

Modified service or self-service will play some part in the future. Cutting labor costs offers the store operator his most likely route toward hedging inflation. With customers looking for a way to get in and out of the store as quickly as possible, buffets, such as the fruit and cheese buffet at Wanamaker's, speed up transactions and cut unnecessary and unwanted service.

Both Bloomingdale's and the May Co.'s Famous-Barr department stores will be featuring entrees to go. Bloomingdale's is featuring the recipes of Michele Guerard, the famous French chef, and while the entrees will be cooked in the restaurant they will be available for take out in the retail food shop only. Famous-Barr plans to offer entrees to go in their restaurant in the Chesterfield Mall, located in a suburb of St. Louis. The mall is slated to open in the fall of 1982.

EATING PLACE SALES BY REGION

(In Billions)

Region	1981*	1982*	Per Cent Increase*
New England *(Conn., Me., Mass., R.I., N.H.)*	$ 4.21	$ 4.55	8.0
Middle Atlantic *(N.Y., N.J., Pa.)*	11.84	12.83	8.4
South Atlantic *(Del., D.C., Fla., Ga., Md., N.C., S.C., Va., W. Va.)*	13.62	15.15	11.2
East North Central *(Ill., Ind., Mich., Ohio, Wis.)*	16.11	17.50	8.6
West North Central *(Iowa, Kan., Minn., Mo., Neb., N.D., S.D.)*	6.44	7.17	11.2
East South Central *(Ala., Ken., Miss., Tenn.)*	4.08	4.52	10.7
West South Central *(Ark., La., Okla., Tex.)*	8.84	10.02	13.3
Mountain *(Ariz., Colo., Idaho, Mont., Nev., N.M., Utah, Wyo.)*	4.43	4.98	12.4
Pacific *(Alaska, Calif., Hawaii, Ore., Wash.)*	14.85	16.49	11.1
TOTALS	$84.42	$93.21	10.7

Source: *National Restaurant Association*

*Projected

In the discount store business both Woolco and K mart have moved their soda fountain operations to the front of the store after concluding that the purchase of a hotdog, soda or popcorn is an impulse purchase. After changing the location in a few Indianapolis test stores, K mart will be putting fountains next to entrances in all new stores and will be converting all existing stores over the next few years.

Woolco stores will also be redone so that food operations are next to entrances and in Woolworth's units the company is refurbishing and remodeling stores on a unit-by-unit basis to keep them up to date. In one type of store counter seating, which may stretch 100 seats long, is being torn out and group seating is being put in its place.

Contractors stress variety, seek new markets

Contract feeders will ride into new frontiers in 1982, exploring markets such as health care facilities and elementary school food programs formerly subsidized by the Federal Government.

Changes are also expected in menus, which will become increasingly varied and innovative with ideas such as meals bought "by the ounce" instead of preportioned. Nutrition, too, is seen as gaining ground in public consciousness.

Airlines feeders see an increased awareness of diet and nutrition and say this will continue to effect menus into 1982. Eastern's Wolfgang Dieht, director of dining services, felt more soups would be offered and that menus would deliberately contain fewer high cholesterol foods.

Public demand for new tastes is effecting menu planning as well. Richard Valenti, of United Airlines, cited the expansion of breakfast offerings to include quiches, cheese blintzs and sour dough French toast as examples of how alternatives to standard egg dishes are being developed.

New snacks have also been introduced, in many cases at the request of passengers. Most sandwiches have been taken off United's snack menu and replaced with cold plates, chef's salads and soup. A club sandwich is still available.

Although attention on snacks and entrees is toward healthful foods, airlines are also concentrating efforts on desserts and presentations. Desserts on United Airlines, for example, include chocolate chip cookies in a brown paper bag, chocolate-covered raisins and peanuts in a mix and individual packages of butter cookies.

When passengers were asked what they wanted, they said fruit, according to Valenti. "We gave them fruit and we got killed.

Most of the desserts now offered are packaged in such a way that "if the passenger doesn't want it, he can take it home for his kids."

As a result of the air controllers strike, airlines find themselves flying fewer flights but feeding more people. This happened because many short-haul flights were eliminated while long-haul flights continued.

Economics have also played a role. In many cases, airlines are offering low competitive prices as inducements for people to fly. Although the price is lower, airlines report that customers' expectations haven't lowered.

To cope with soft passenger counts and high customer demands, some creative ideas are being used by airlines. United Airlines, for example, has reduced fares on its commuter flights, while at the same time giving a boxed lunch.

The menu for the boxed lunch is identical to what was previously offered for that meal. The difference is the presentation, which enables the airline to reduce costs.

Airlines are also expected to continue experiments in new technology aimed at reducing costs. Eastern is serving cold plates kept fresh in special containers on some flights. This eliminates use of ovens.

On the ground, contract feeders expect to be looking into hospitals, nursing homes, white collar businesses and schools as future markets. Like airlines, they will stress variety.

One innovation expected to gain increasing acceptance is the sale of foods in cafeterias by the ounce. Sandwiches, french fries, fried onion rings, chef's salads and yogurt will all be sold by the ounce, thereby allowing customers to order and pay for just the amount they want.

Canteen, Saga and ARA Services all predict tremendous growth in the health care market. Some 70% of health care facilities now run their own dietary departments.

Contract feeders reason, however, that as food cost continues to rise, so will pressure for better food-service management, thus creating a demand for their services. They also believe that preventive medicine and nutrition will also become more popular.

Another new market being explored is elementary and high school food service. Formerly supported by Government funds, schools are now trying to operate on an open cash basis. Many schools are facing this situation and contract feeders say the market is open.

All in all, contract feeders expect 1982 to be a strong year. Although the recession has forced many to tighten controls on capital expenditures and be much more cautious in business dealings, there is a general optimism about the future.

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FINANCING
The search for capital—Pages 15-20

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Chains anticipate freeze on '82 menu prices

By Joe Edwards

NEW YORK—A number of fast-food chains are giving customers a break this year by holding menu prices at 1981 levels at least through midsummer.

Barring unexpected cost increases, McDonald's, Arby's, International Dairy Queen and White Castle will not raise menu prices in the next five or six months. Other chains plan to follow suit but would not say so publicly.

The decision to freeze prices is tied directly to food costs, which should remain relatively stable, and the minimum wage, which is not expected to rise this year. Should anything change in these two areas, menu prices will thaw out quickly.

Another contributing factor is the growing concern over consumer price resistance, reflected in flat or sagging customer counts at some top chains. The price freeze, combined with a slowdown in unit expansion due to the high cost of borrowing money, is expected to boost unit sales at existing fast-food outlets.

For some fast feeders, the 1982 pricing policy is a continuation of a practice in effect through most of last year. Menu prices at many fast-food chains remained stable or increased only slightly in 1981.

This latest pricing strategy and the slowdown in menu price hikes last year are in sharp contrast to the situation in the late 1970's, when skyrocketing food, labor and energy costs were responsible for double-digit menu price hikes year after year. In that period, fast-food average checks raced toward the $3 mark.

There had been warnings that fast feeders could not continue to raise prices pell-mell without meeting consumer resistance. Those predictions started to come true in 1980 and continued to a lesser degree last year.

In 1981, a year marked by continued inflation, rising unemployment and a drop in consumer spending power, customer counts sagged noticeably at many chains. Customers were either cutting down on their dining-out occasions or trading up to coffee shops where average checks were not that much higher.

Other factors, however, came into play with the chains' latest pricing strategy. The minimum wage, now at $3.35 per hour, has risen in each of the last three years but no increases are anticipated this year. The cost of food is not increasing as rapidly as it has in recent years.

Beef prices, in fact, actually dropped last year after shooting up drastically during the late 1970's and 1980. Last October, a pound of choice beef bought in bulk cost 98¢, compared to $1.04 in September and $1.07 in the fall of 1980. Bulk beef will cost a little more than $1 per pound this year, according to some estimates.

Commodity prices are difficult to forecast, but the U.S. Department of Agriculture believes overall food prices should rise between 3% and 5% this year over 1981. Beef and pork prices, according to the

(Continued on page 69)

Woolworth revitalizing restaurants

By Susan Spedalle

NEW YORK—F. W. Woolworth Co., a pioneer in in-store feeding, is in the midst of an extensive refurbishment plan of the restaurants in its 1,075 Woolworth and 350 Woolco Stores.

The 102-year-old company is also testing a new concept in a suburban mall outside Philadelphia.

Objectives of the ongoing refurbishment plan are to modernize the company's luncheonettes, coffee shops and cafeterias. Fast-food concepts such as a Harvest House Junior and a snack bar are being added in some locations.

The new concept experiment, six months old, deemphasizes the restaurant's connection with the store. It offers a more limited menu than the company's Harvest House operations. Called The Milling Place, the restaurant features a separate mall entrance, a check built up by the addition of an all-you-can-eat salad bar and western flavored decor and waitress's uniforms.

The Milling Place, located in a mall near Philadelphia, features a separate mall entrance and an all-you-can-eat salad bar.

Many Woolworth restaurants are dated.

The company itself built stores—and put in restaurants—geared to three somewhat different markets during recent decades. However, hundreds of different operations exist today because the company has altered the basic concepts by tailoring the physical site of each store to the area market.

Food-service facilities have never been entirely updated to one or more new prototypes, but have been under review for the past six years. Some elements of the revamping program were actually initiated in 1975.

Woolworth's first started building restaurants in 1913.

Many years after the first luncheonette was built in 1907, the company added hot food.

(Continued on page 69)

NRA launches counterattack

U.S.D.A. beef plan backs cattle industry

By Ken Rankin

WASHINGTON—The agriculture department has uncorked proposed new cattle grading standards which would significantly lower Government quality requirements for Prime and Choice beef sold to restaurants.

Although not identical to the plan advanced by the National Cattlemen's Association last year, U.S.D.A. officials acknowledged that their proposal is "conceptually the same" as that controversial NCA scheme.

Specifically, the department's proposal would slice the minimum requirements for U.S.D.A. Prime-graded carcasses by a full marbling score, while allowing cattlemen to market a substantial amount of tougher, lean beef as Choice.

The National Restaurant Association—which has joined with consumer groups to oppose the cattle industry plan—launched an immediate counterattack against the U.S.D.A. proposal, charging that the pending grade changes "will make it extremely difficult for the nation's restaurateurs to obtain quality beef for their customers."

"We are extremely disappointed by the U.S.D.A.'s action," NRA president Robert Bradford told *Nation's Restaurant News*. "If these changes are implemented, the Government grading system will become virtually useless as a yardstick for determining the palatability of beef."

Under the present ground rules, beef carcasses must have at least a "slightly abundant" degree of marbling in order to qualify as Prime. The U.S.D.A. proposal would allow cattlemen to sell beef with only "moderate" marbling as Prime. According to the department, this change would double the amount of Prime from 5% to 10% of the total United States beef supply.

The U.S.D.A. proposal would also reduce the marbling standard for Choice beef to allow younger carcasses (under 30 months of age) to qualify for

(Continued on page 68)

LATE NEWSBREAKS

Marriott Corp. has disclosed a planned tender offer of $18 a share, or $48.6 million, for all Gino's Inc. common stock. The proposal calls for at least two-thirds of Gino's shares to be tendered, plus Gino's board and regulatory agency approval. Marriott is likely to convert up to 200 of the 313 Gino's to Roy Rogers and sell the rest, along with Gino's 113 Rustler Steak Houses and 43 KFCs—possibly back to Gino's management.

Federal officials are looking at a plan calling for sharp increases in excise tax rates for liquor, beer and wine. Story, page 6.

Bonanza has offered franchisees a royalty plan indexed to the prime rate. When the prime goes over 16%, royalties drop according to a published schedule. Story, page 39.

Wuv's files voluntary bankruptcy

By Roman Czajkowsky

FORT LAUDERDALE—Wuv's International, once heralded by its founder as the future "Cadillac of fast foods," has filed for protection under Chapter 11 of the Federal Bankruptcy Act.

The Fort Lauderdale-based, 75-unit burger chain also laid off 30 of its 50 office employees, closed its California office and, over the past year, shuttered a number of unprofitable units.

According to one report, Wuv's last year lost $1 million on revenues of between $5 million and $6 million. Jack Penrod, Wuv's president and founder, said he did not yet have an accurate report on Wuv's financial condition, but added the company "owes so many bills we had to file to try to get some time to save our company."

Under Chapter 11, Wuv's will continue operating while trying to conclude new agreements with its creditors.

(Meanwhile, Penrod again declined to comment on a report that he's slated to be closely involved with a projected deal in which Taubman Co., a shopping mall developer, would acquire A&W, a 1,100-unit burger chain, from parent United Brands. As reported earlier in *Nation's Restaurant News*, Wuv's and A&W might then be merged.)

Wuv's troubles are reflected to a lesser extent at other similarly positioned, relatively young burger chains, such as Georgia-based Cindy's and Tennessee-based Judy's, that are struggling for market share.

(See related story on Judy's, page 2.)

Among reasons Penrod cited for six-year old Wuv's losses were overexpansion, high interest rates, the economy in general and tough competition from the industry's giants.

Penrod said Wuv's troubles started a year ago when high

(Continued on page 69)

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K mart's Fritz named Furr's vice chairman

By Rick Telberg

LUBBOCK, Tex.—Furr's Cafeterias has consolidated its field operations into four divisions from 11 districts and named as second-in-command Don Fritz, who joined Furr's when it was acquired by K mart in 1980.

Fritz, 52, was named vice chairman and senior executive officer, both new positions, in which he reports to Don Furr, chairman and chief executive officer.

Fritz joined Furr's in 1980 from K mart where he was food operations director. In May 1981, he was named executive vice president for growth and development at Furr's.

Reporting to Fritz will be Harold Andrews who was named president and chief operating officer from vice president for operations. The 44-year-old Andrews succeeds as president his brother Clifford who died in March.

Clifford Andrews went to work for the Furr family in 1946 and was involved at the inception of the chain. Harold joined the firm in 1957.

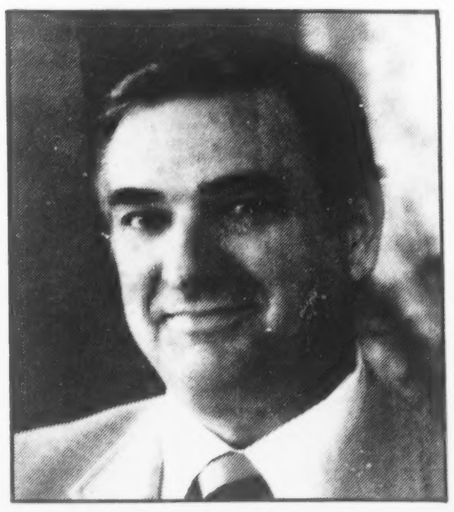
In addition, Don Dodson was named executive vice president for operations from vice president for personnel development. Dodson assumes many of Andrews' former duties and also retains his former authority in personnel matters.

The company said the changes were necessitated by an "ambitious building program."

Furr's, which closed 1981 with 83 units in operation, plans to build 25 new cafeterias this year, according to Bill Dietrich, marketing director. Eleven new units were under construction at the end of the year with 13 undergoing final preparations before groundbreaking.

When K mart acquired Furr's in 1980, officials had hoped for 14 to 16 new units in 1981. Eight units were opened in 1981.

Dietrich said part of the reason for the staff changes was a natural process in converting Furr's from a small, family-run business into a rapidly growing chain. "We could double in size in three or four years," he said.



Don Fritz
Furr's Cafeterias

In order to ease that projected growth, Dietrich said, the chain's 11 operating districts were consolidated into four divisions.

The new division vice presidents are Ray Rue, Ken Rue (they are brothers), Fred Burleson and Keith Ward. All are former district managers. They currently oversee 12 districts; the 12th district was added during consolidation.

Formerly, each district manager, who oversaw five or six cafeterias, reported directly to Harold Andrews. Now those district managers report to the new division vice presidents, who report to Andrews.

"It puts more authority and responsibility out in the field," Dietrich said.

Ponderosa to try Mexican themers

DAYTON, Ohio—Ponderosa has decided to establish a Mexican dinnerhouse division, according to several major franchisees of the 694-unit chain.

The new restaurant theme, these sources said, will replace many of the company's budget steakhouses in markets where they have become unprofitable.

Donald R. Jackson, Ponderosa executive vice president, confirmed that the company is considering diversification into the dinnerhouse segment. But, he said, in addition to a Mexican concept, barbecue and chicken formats are still under consideration.

If Ponderosa does move ahead with a Mexican concept, geography may help it succeed in the hard-hit Midwestern markets where most of the company's budget steakhouses are located.

While the Midwest's souring economy has cut deeply into the disposable income of blue-collar workers—the core market for Ponderosa's budget steakhouses—it has had only a moderate impact on the spending habits of the higher income market targeted by dinnerhouses.

Bob's Big Boys plans new menu/media blitz

By Diane C. Farewell

WASHINGTON—Bob's Big Boys are launching a new menu and media drive aimed at keeping low-end family business from fast feeders, especially at dinnertime.

The move by the Marriott-owned group follows an earlier disclosure by Howard Johnson of a similar marketing thrust based on market research showing the potential vulnerability of fast feeders.

According to Marriott officials, the new menu has already been tested in the Washington, D.C., area, the firm's home base, and is in the process of being rolled out nationally. Marriott currently operates some 250 Big Boy units, with a heavy concentration on the West Coast. Average yearly unit sales are running at about $1 million.

Strategy

Joseph Burke, Marriott's marketing vice president for restaurant operations, said the new menu is targeted against fast food and is aimed at drawing a repeat family business.

Delicatessen-style sandwiches, a line of lighter foods for weight-conscious consumers and a host of dinner foods are the thrust of the new menu. Specific items include roast beef and turkey (in either sandwiches or hot plates), chicken and tuna salads, lasagne, fish, and baked potatoes.

While the new menu items have boosted food costs slightly, margins have remained in the 30%-40% range set by the company and the average check has increased 10%-25%.

In addition to the new items, Burke said, some standard items have undergone changes aimed at improving specifications and presentations. "We looked at things like 'was the bun too large?' They're not huge changes. We took what we had and made it more attractive and more interesting."

So far, according to Burke, customer counts at test units featuring the new menu have increased by 2%-15%. But the company expects even higher returns.

(Continued on page 69)

H&H to convert 15 Judy's to Bojangles

NASHVILLE—Horn & Hardart, through its Bojangles chicken and biscuits chain, has agreed in principle to buy virtually all of Judy's Foods' company-owned hamburger restaurant operations.

The deal involves at least 15 and possibly 17 Judy's restaurants. All units are slated for conversion to Bojangles, a rapidly growing, Charlotte, N.C.-based chain now numbering 52 units.

Takeover Set

Presumably, some or all of Judy's 29 franchised restaurants could eventually merge with Bojangles as well, thus eliminating the Judy's name from the fast-food industry's roster. Nashville-based Judy's Foods, owned by Hospital Corporation of America, had been on the block since September of 1980 when HCA bought Judy's previous owner General Care.

If finalized, the Bojangles-Judy's merger would cost Horn & Hardart $2.2 million or $2.6 million, depending on whether Bojangles acquires 15 or 17 Judy's company-operated Judy's. The sale of the two additional Judy's locations was still being discussed at presstime.

According to an HCA spokesman, the 15 company-operated Judy's are "the primary operating entities" of Judy's Foods.

Judy's 1981 company store sales were about $5.6 million, and the chain was expected to chalk up a loss of about $500,000. It lost an estimated $1.3 million in 1979 and $1.4 million in 1980, according to Carl George, its officer in charge, and a number of stores were closed or leased to operators of other restaurant concepts.

Parent HCA, a hospital construction and management company, had made it clear ever since it acquired the chain that it was not interested in owning a restaurant division.

If finalized, the deal would speed up Bojangles' ambitious expansion plans. Bojangles, which was started in 1977, was bought by Horn & Hardart late last year. Within several months, the chain, whose average unit volume has been running at more than $900,000, grew from 35 units to the current 52. At the time of the acquisition, New York-based H&H, which also operates a mail order division, a Las Vegas casino as well as a handful of Arby's and Burger Kings, said it planned as many as 100 Bojangles this year.

Gino's unit tests spicy chicken

PHILADELPHIA—A Gino's Kentucky Fried Chicken unit here is testing a chicken product similar to that of a local competitor, Chicken George Chicken Inc.

The Gino's Kentucky Fried Chicken franchise launched a test of a spicy southern fried chicken, buttermilk biscuit and collard greens and rice, with an eight-hour give-away at its southwestern Philadelphia unit. The test also includes corn-on-the-cob, mashed potatoes and gravy, and barbecued meats.

In order to add the new menu items, the old faithfuls such as the salad bar, cheeseburger, home-style hamburger and crispy fish were taken out of production.

Gino's has been battling declining profits and is suffering from a fall off in traffic. In its third quarter, ended Sept. 30, the chain's profits fell 26% to $2.5 million from $3.4 million during the same period in 1980.

The style of cooking used by Gino's was described as "virtually the same as" that of the Chicken George company, according to a local newspaper article.

Chicken George, a Baltimore-based, minority-owned company, is expected to have sales of $14 million in five units this year. The Philadelphia store alone does $2.5 million in annual sales. The menu consists of spicy chicken, collard greens, biscuits and sweet potato pie.

"I don't know what their quality is," said Joseph Kennedy, Chicken George vice president, in response to the Gino's test, "and until we are able to make some kind of determination we have absolutely no idea what the impact will be."

President and founder Ted Holmes has said in the past that Chicken George "is just a speck of dust on the head of a pin now," when measured against the whole industry, but indicated that the chain "is the start of something big."

Mike Phillips, vice president of Gino's, said that the test is an attempt to appeal to the predominantly black neighborhood.

"It's not a matter of copying," said Gino's vice president of communications, Mitch Thomas, "it's a matter of trying a new, localized menu to see if it works. We will look and see what the public acceptance is."

HIGHLIGHTS IN THIS ISSUE

Generating capital to finance major expansion and remodeling projects is challenging restaurant operators. In this issue *NRN* examines assorted methods chains, independent operators and franchisees are using to raise capital. *Pages 15-20.*

Quality, price/value and imagination may determine the success of operators regardless of economic conditions. *NRN* editor Charles Bernstein encourages operators to concentrate on finding ways to provide these key ingredients. *Page 6.*

Offering 53 beers is luring customers back to the Whitney Winery in New Haven, Conn. Wine and Spirits columnist Mort Hochstein reveals the restaurant's merchandising strategy. *Page 27.*

Barry Klein, senior vice president of Wells, Rich, Greene in Los Angeles, identifies some marketing problems, including brand name identification, image and promotions, in this first in a series of Marketing Memos. *Page 54.*

Publicity generated when his well-established downtown restaurant was demolished sent customers flocking to another of Leo Groto's operation, the Wellshire in a Denver suburb. *Page 23.*

Strategic planning helped growth and sales at Saga, said Charles Lynch, Saga chairman and ceo, delivering a Burtenshaw Lecture Series address at Washington State University. *Page 30.*

Holiday Inns is joining the trend to upscale hotels for business travelers, planning to build 25 luxury hotels during the next decade. *Page 41.*

Pea Soup is fueling sales growth and plans for expansion at Pea Soup Andersen's, a Buelton, Calif.-based company about to open its fourth restaurant. *Page 11.*

REGULAR FEATURES

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COMMODITIES

Meat prices trend higher; feed grain picture cloudy

NRN Special Report

Although meat prices stayed low during the last quarter of 1981, confusing experts, they are trending up again on the basis of fewer cattle in feedlots and farmers cutting back on hogs. Although producers were receiving less than it cost them to raise the animals, both cattle and hogs came to market in unexpectedly high volume during the final three months of 1981.

While cattle producers are not cutting back their herd as much as had been feared earlier, they are keeping cattle on grass instead of placing them in feedlots. This means the amount of cattle graded Choice will be down during the latter part of the winter and into the spring. At the end of November there were 8% fewer cattle in feedlots than during the same period in 1980.

Heavy production by poultry producers and heavy slaughtering of hogs have kept both meats in a low range. Poultry in latter December was down about 11% below year earlier prices, and during the middle of December, pork dropped to its lowest price level in over a year. However, with slaughter tapering off, pork prices are again climbing.

Consumer purchases for eating at home pose the big question for the meat industry. Will consumers pay higher prices for beef and pork, particularly with cheap chickens available? Will the glut in freezers be able to move at higher prices? The operator is directly affected by movement of meat in the consumer market.

Feed grain picture uncertain

Affected by politics, the feed grain picture has been one of sharp ups and downs during the past month and a half. Upon applying an embargo on shipments of grain assistance to Poland, the futures prices fell—primarily in fear that the embargo would be broadened to include Russia. When that appeared unlikely, the prices bounced back up again. Even though the United States has had bumper crops of almost all of the feed grains this year, there is still enough of a demand from the rest of the world that prices will not be allowed to drop to the levels which will benefit cattle and hog producers greatly.

The U.S. Department of Agriculture believes the Russians may have had their worst grain crops since 1975, and this means they will be into the market here for more grain to bolster their supplies.

PRICE MOVEMENT AT A GLANCE

	Dec. 23, 1980	Nov. 23, 1981	Dec. 23, 1981
Beans, green, canned, Fancy cut 4s, NW (6/10)	$7.75	$9.85	$8.75
Beef, Choice, 700-900 lb., Midwest (lb.)	$1.01-1.02	$0.96	$0.92-0.94
Broilers, Grade A, icepack, NYC (lb.)	$0.4934	$0.4519	$0.4350
Eggs, Grade A large, Chicago (doz.)	$0.7175	$0.7980	$0.715-0.72
Fruit Cocktail, Choice HS (6/10)	$17.40	$15.25	$15.25
King Crab meat, NYC (lb.)	$8.00	$13.75	$14.00-15.00
Lettuce, Iceberg, Calif. (Carton 24s)	$3.50	$3.75-4.00	$6.00-8.00
Peas, dry green split (cwt)	$16.00	$15.50	$16.75-17.00
Pork loins, 14-down, Midwest (lb.)	$0.965	$0.91	$0.87
Rice, No. 2 milled, Ark. (cwt)	$25.00-27.00	$21.00-22.00	$19.00-22.00

Source: *NRN Research*

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Major chains eye return to takeout-only service

By Joe Edwards

TOLEDO, Ohio—One of the newest restaurants in town is a funny-looking fast-food outlet over on Dorr Street. The sign says McDonald's but the place is so. . . . *tiny.* The reason: there's no place to sit down and eat.

This is a Mini-Mac, a mutant McDonald's restaurant that is easier, quicker and cheaper to build and offers takeout-only service from an indoor walkup counter and a drive-thru window.

Burger King has its own diminutive restaurant prototype, known at Miami headquarters as a BKO. The company opened its first BKO in Georgia about 18 months ago and now operates four of them.

Other chains experimenting with takeout-only units include Church's, Wendy's, Popeyes and Arby's. Interest in this concept is not limited to fast feeders, either. Two ribs and chicken chains, Tony Roma's and Swiss Chalet, have opened takeout-only units in the last year.

Some chains like Kentucky Fried Chicken and White Castle, to name just two, have had takeout-only outlets for years, and takeout service has been a mainstay of many pizza chains and independent Chinese restaurants over the years. 7-Eleven and other convenience stores have had success selling meals for off-premises consumption.

This latest interest in takeout-only service among the industry giants could trickle down to other national, regional and local chains and emerge as a significant industry development in the next few years, although for now most chains are taking a wait-and-see attitude.

If the talk about takeout-only service stirs a sense of *deja vu*, there is good reason. Most early fast-food restaurants did not have seats. As the industry evolved, so did the design of fast-food restaurants. The garish original units gave way to more subdued restaurants

(Continued on page 68)

McDonald's, Burger King and other chains are experimenting with a return to walk-up, drive-thru only units.

New product for lunch

Quick-cooking pie being tested

OMAHA—Two major pizza chains are hoping to bolster lunch sales, the toughest selling time for the segment, with a quick cooking pizza product.

Godfather's, a chain of more than 600 units based here, tested "Express Lunch," a limited menu of 6-in. diameter mini-pizzas, for six months and is now rolling the product out nationally.

Pizza Hut is testing a similiar product in Louisville. The company, which had significant sales growth with pan pizza, hasn't indicated when the product will be introduced throughout the chain.

Sales Builder

In Denver, one of Godfather's test sites, sales during lunch increased 47% with the quick cooking lunch product. Lunch sales are traditionally slow for the pizza segment because pizza usually takes 10 to 20 minutes to prepare, too long for business people with limited lunch periods. At Godfather's, lunch represents 20% of total sales.

"Lunch was always our toughest deal," Richard Jeffries, executive vice president of Godfather's, said. "So what we did was limit the selection and offer mini-pizzas. We now guarantee a mini-pizza in five minutes or your next lunch is on us."

Godfather's has cut the service time by starting to cook the mini-pizzas slightly before the lunch hour rush and holding the pies in a high humidity oven. "We found we could keep them in the oven for an hour and a half without any change in taste or quality, but we decided to only keep them up to 15 minutes," Jeffries said.

Equipment costs for adding mini-pizzas for lunch are between $1,400 and $2,000. The program is elective for franchisees.

While testing the product, the company also researched which varieties of pizza sold best and exactly what product mix was desired. Godfather's found customers preferred lighter toppings during the lunch period. The cost of the pizza varies according to location.

Conti predicts farm bill will trim restaurants' food costs

By Ken Rankin

WASHINGTON—The compromise farm bill approved by Congressional conferees during the closing days of the last session figures to trim restaurant industry food costs by more than $2 billion over the next four years, National Restaurant Association chairman Walter Conti predicted.

Although the final measure failed to slice Federal price support levels as much as food-service industry leaders had urged, Conti praised the bill as "a good compromise" which should help farmers "without hurting food-service operators or consumers."

Federal dairy price support levels—the No. 1 concern among restaurateurs—were cut back from 80% of parity to 70% in the bill's final version. Assuming the nation's food-service operators continue to purchase approximately 10 billion lb. of milk, butter, cheese and other dairy products annually, this reduction in parity figures to save restaurants at least $400 to $600 million each year through 1985, according to Conti.

Industry lobbyists were less successful in blocking what NRA officials originally called "extremely inflationary" sugar price support provisions in the measure. Initially, the bill called for creating a new Government loan program to maintain farm sugar prices at 19.6¢ per pound. According to NRA, these increases would have added $200 million a year to restaurant food costs.

The version that cleared Congress in final form calls for sugar loans of between 16.75¢ and 18¢ per pound—a compromise that figures to raise food service sugar costs by "only" about $100 million annually.

A third provision of the original Farm Bill of concern to restaurants—harsh new restrictions on imported beef—was watered down considerably.

According to Conti, if original restraints on foreign meat had been approved, restaurant industry beef costs "would have risen by 9% and hamburger by 25%."

Neiman-Marcus unveils freestanding restaurant

FORT WORTH—Nieman-Marcus, the exclusive Dallas department store, has opened a freestanding restaurant called the Red River Saloon.

The Saloon is situated in a development complex called Sundance Square, which is being built by the Bass family. The area already sports a civic and convention center.

Nieman-Marcus operates a Fort Worth store at another location with the Red River Saloon, which also sells Red River merchandise and frozen food under the same label, the company hopes to capture tourist and convention business expected at Sundance Square.

So far the 96-seat restaurant, located seven miles from the Fort Worth Nieman's has been filled with office and civic center workers and area shoppers.

The limited menu of chili, nachos, beer, boiled hotdogs along with an adaptation of Nieman's signature dessert, Millionaire pie, comes out of a 364-sq.-ft. kitchen. The all-day-long menu brings in a $5 average check, says vice president of food-service operations, Bob Jones. The restaurant is open from 10 a.m. until 8 p.m.; an hour later on weekends when the Red River band plays until 9 p.m.

Nieman-Marcus's use of the name Red River is not new; it dates back to a line of hats. Since then it primarily has been used in the store's Epicure shop, but is still found in department's such as men's wear.

In the restaurant, the Red River label can be found in the frozen food case, which is filled with items from the restaurant's menu for take-home. The food is currently manufactured and packaged off-premises.

Red River merchandise includes aprons, cookbooks, jewelry, a smoke shop and gift packages, made up of items such as bottled jalapeno peppers and Nieman-Marcus private label foods.

"The purchase of the merchandise is dependent on the traffic generated from the restaurant," says Jones. The restaurant, in this sense, is a service to Nieman-Marcus, as well as to the customer.

The decor is modern western with a lot of pale wood, mirrors, hanging plants and huge frosted windows.

The company plans to franchise the concept when it becomes successful enough.

FINANCIAL NEWS

Calny suffers 70% drop in third quarter profits

SAN MATEO, Calif.—Calny Inc., operator of 55 restaurants, reported net income down 70% to $57,000 for the third quarter ended Nov. 7.

Sales for the quarter were $6.8 million, down 4% from $7.1 million in 1980.

The decline in income was attributed to losses on closed restaurants. The net loss from discontinued operations of Taco Charley were $163,800 for the quarter as compared to $90,100 for the same period last year.

A drop in third quarter earnings for Taco Charley, a former Calny subsidiary, was attributed to expenses relating to the spin-off in October 1981 of Taco Charley to Calny's shareholders.

Luby's profits up 18%

SAN ANTONIO—Luby's Cafeterias reported profits rose 18% to $2.6 million and revenues rose 19% to $30.3 million for the first quarter ended Nov. 30 compared to the year-ago quarter.

New cafeterias were opened during the quarter in Houston and Plano, Tex. A Las Cruces, N. M., cafeteria was relocated into larger quarters at a regional shopping mall.

Units in Austin and Arlington, Tex., were under construction at the end of the quarter and construction was scheduled to begin in San Antonio in January on another cafeteria.

Smuggler's Inn operator Associated Hosts reports net income up for the fourth quarter.

Associated Hosts' net increases 29%

BEVERLY HILLS, Calif.—Associated Hosts Inc., operator of Smuggler's Inn restaurants, reported net income up 29% to $327,000 for the fourth quarter ended Sept. 26, compared to the prior year.

Revenues for the quarter rose 8% to $19.9 million.

For the year ended Sept. 26, net income fell 16% to $2.1 million. Revenues for the year rose 4% to $79.9 million.

Associated Hosts operates 83 restaurants and four hotels in 26 states. Smuggler's Inns, the company's principal restaurant concept, feature steaks, prime beef and seafood and provide entertainment. A typical unit averages 9,000 sq. ft.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Dec. 31							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)		Last Balance Sheet Date
Name	Symbol	High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5.75	5.13	5.13	-.38	-6.82	10.63	5.13	-.32	-2.63	1.91	-10.40	.34	.02 N	5.8	14.0	5.8	14.2	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	15.13	14.50	14.50	-.88	-5.69	21.88	10.00	.16	-.43	-.01	22.62	1.67	.43 Q	31.8	35.0	6.3	8.1	.22	1.5	01-26-82	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	28.50	26.88	26.88	-1.75	-6.11	37.25	23.75	.31	-.92	3.27	10.40	4.00	-1.20 F	-23.0	4.0	1.5	6.7	2.00	7.4	11-24-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	6.13	5.88	6.13	.25	4.26	8.63	4.88	.97	.42	1.78	-4.10	.66	-.14 F	-17.5	-1.0	2.6	9.3	.12	2.0	12-08-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	3.00	3.00	3.00	-.13	-4.00	4.88	1.63	-.38	.00	-3.40	-54.75	.47	.14 S	31.8	41.0	2.3	5.2	.00	.0	00-00-00	47.7	1.1	.8	1.8	2	1080
Bob Evans Farms	BOBE	21.75	21.50	21.75	.00	.00	22.75	15.34	.28	-.04	-1.56	23.56	1.40	.09 S	6.4	26.0	8.0	14.6	.40	1.8	11-06-81	147.0	11.8	1.9	0	6	0481
Bonanza Intl Inc	BNZA	1.50	1.13	1.25	-.25	-16.67	6.88	1.13	-1.52	-4.08	6.64	13.34	.24	-1.49 N	-647.8	-37.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Brock Hotel Cp	BHC	16.00	14.50	14.75	-1.25	-7.81	16.88	6.00	.24	-.76	5.44	-59.75	.44	.08 N	20.0	28.0	4.0	30.7	.10	.7	12-11-81	110.9	4.4	1.0	8.5	3	1280
Calny Food	CLNY	11.00	11.00	11.00	.00	.00	15.50	8.50	-.10	.00	-10.09	-9.09	1.35	-.29 N	-16.9	7.0	2.2	7.7	.20	1.8	10-28-81	41.7	.9	4	14.4	6	0281
Carrols Develop	CRL	6.13	5.13	5.50	.13	2.33	10.00	3.97	.20	-.23	5.29	40.88	.86	.44 Q	74.5	34.0	2.4	5.3	.09	1.6	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	20.75	19.13	19.13	-1.50	-7.27	22.88	11.50	-.04	-1.33	6.82	-49.09	1.75	.28 N	16.5	12.0	4.9	9.7	.60	3.1	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	21.13	20.50	20.50	.00	.00	27.25	11.94	.42	-.37	-4.85	-21.68	.46	.37 S	137.0	35.0	12.9	32.0	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	11.25	10.25	10.50	-.50	-4.55	13.88	6.13	-.76	-.94	-1.58	3.35	.66	-.13 Q	-17.8	30.0	2.7	17.5	.40	3.8	12-14-81	118.7	3.2	3.4	8	5	0781
Churchs Fr Ch	CHU	29.00	27.50	28.88	1.25	4.52	37.38	25.00	.32	.65	-1.72	6.92	3.01	.55 N	18.7	24.0	9.9	8.3	.84	2.9	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.63	3.00	3.50	.50	16.67	4.63	2.00	.41	3.93	6.11	-38.12	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	14.25	13.63	13.88	.00	.00	14.91	7.50	.48	-.09	1.12	10.26	1.56	.59 S	40.6	12.0	2.8	6.8	.24	1.7	12-23-81	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	6.75	6.25	6.38	.13	2.00	10.13	5.00	-.70	-1.35	-.71	20.57	-.08	.07 Q	NC	NE	-1.5	91.1	.00	.0	00-00-00	6.8	-.1	.8	6	1	0581
Dennys Inc	DEN	29.88	29.13	29.25	-.25	-.85	31.75	18.38	.02	-.34	-3.11	-36.69	2.96	1.12 Q	54.6	5.0	3.2	9.2	.88	3.0	12-08-81	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	14.25	14.00	14.25	.00	.00	18.25	10.44	.14	.45	1.40	-25.00	1.82	.28 F	18.1	21.0	8.3	7.8	.30	2.1	11-06-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	9.38	8.38	9.25	.75	8.82	9.38	4.94	.46	1.73	3.79	8.68	1.39	.67 Q	65.6	13.0	3.0	5.5	.35	3.8	11-30-81	97.0	2.9	1.2	7.2	13	0581
Ginos	GNO	19.00	16.38	16.88	-2.00	-10.60	20.13	6.75	.02	-1.12	-2.12	11.83	1.67	.47 N	470.0	-5.0	1.4	29.6	.44	2.6	11-12-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	6.50	6.25	6.25	-.25	-3.85	9.00	6.25	-.20	-.79	-1.52	69.23	.27	-.95 F	-77.8	-16.0	.7	23.1	.00	.0	00-00-00	24.0	9	1.0	18.1	12	0380
Hardwicke	HAWK	3.88	2.50	2.63	-1.25	-32.26	10.50	2.25	.65	-3.71	-.13	27.00	.44	-.20 N	-34.4	-10.0	8.6	6.9	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	40.38	37.50	38.00	-1.88	-4.70	52.25	33.25	-.06	-.61	2.52	16.07	4.00	.21 N	5.3	35.0	20.3	9.2	1.80	4.7	12-14-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	28.13	27.25	28.00	.88	3.23	33.25	21.13	-.29	.16	-3.76	17.51	2.92	.69 N	23.6	28.0	7.1	7.8	.74	2.6	12-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	41.00	40.75	40.75	-3.75	-8.43	48.75	32.25	-.16	-.02	-8.74	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	13.88	13.00	13.50	.50	3.85	19.13	8.00	.04	-.14	-6.08	-9.66	.96	.10 N	10.1	42.0	3.1	12.4	.00	.0	01-11-82	128.2	4.0	1.8	16.9	7	1280
Host Intl	HII	28.75	28.13	28.50	.00	.00	29.50	12.00	.58	.13	-9.19	-.72	2.74	-1.82 N	-62.1	4.0	3.9	25.7	.60	2.1	12-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.50	7.50	7.50	.00	.00	9.38	5.25	.30	.00	1.04	2.63	.92	.13 F	16.4	64.0	3.2	8.2	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.44	1.25	1.38	-.13	-8.33	2.00	1.06	.41	.00	1.53	41.98	.62	-.15 S	-21.1	28.0	2.1	2.5	.16	11.6	09-28-81	8700.9	178.4	.9	8	3	1080
Intl Dairy Queen	INDQ	10.75	10.25	10.25	-.75	-6.82	13.25	8.50	-.52	.00	-3.36	5.56	1.34	.30 N	22.7	51.0	6.1	6.3	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.13	2.00	2.00	-.13	-5.88	3.38	1.75	-.58	-1.86	4.45	14.09	-.65	-.06 F	NE	-35.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	3.75	3.75	3.75	.00	.00	4.50	2.63	.21	.00	-5.06	3.71	.63	.63 F	NC	1.0	3.0	6.0	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0980
Jerrico Inc	JERR	19.88	17.75	17.75	-2.13	-10.69	27.63	16.00	-.28	-2.52	-2.99	31.33	1.70	.45 Q	32.6	24.0	5.6	9.7	.12	.7	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.13	3.88	4.13	.13	3.13	4.38	3.25	-.05	.63	4.44	34.27	-.25	-.51 F	-196.1	-23.0	-2.9	NE	.00	.0	00-00-00	16.8	.6	2.1	2.4	6	0980
Kelly Johnston	KEJO	15.50	15.25	15.25	-.25	-1.61	16.25	10.75	.40	-.17	-1.61	32.68	.58	.74 S	NC	148.0	5.9	20.6	.00	.0	00-00-00	11.9	.7	.4	8	1	0381
Kinnard Cos	KCNI	1.75	1.56	1.63	.13	8.33	9.00	1.50	-.28	-1.54	1.00	-68.98	-.60	-.56 S	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	4	1	1280
Lubys Cafeterias	LUBY	27.25	27.00	27.25	.25	.93	28.25	17.84	.10	.00	.32	1.37	1.45	.27 Q	21.7	23.0	9.1	18.0	.48	1.8	12-15-81	108.2	9.8	1.1	9	6	0881
Marcus Corp	MRCS	6.38	6.00	6.00	-.38	-5.88	7.28	5.00	.21	-.42	3.21	-52.99	1.15	.13 S	11.8	8.0	5.8	4.9	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	37.88	35.00	35.88	-2.25	-5.90	47.00	29.75	.45	-1.01	-3.32	-24.14	2.60	.59 N	23.9	28.0	4.2	11.8	.30	.8	12-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	66.63	64.63	65.38	-.88	-1.32	72.88	49.38	-.08	.09	-1.19	-.89	5.49	1.03 N	19.4	19.0	10.1	10.3	1.00	1.5	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	8.75	8.63	8.63	-.13	-1.43	13.88	8.25	.04	.00	2.59	16.16	.95	.01 S	1.0	6.0	3.9	8.8	.32	3.7	01-04-82	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.25	2.13	2.25	.00	.00	4.75	2.13	.14	.00	.70	23.45	.22	.04 F	22.2	43.0	.5	10.2	.02	.9	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.00	.81	.81	-.19	-18.75	2.38	.81	-1.47	-4.41	2.60	3.54	-.87	-.53 Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.00	9.25	.00	.00	12.25	9.00	.16	.48	3.15	-53.28	1.74	.48 F	38.0	18.0	1.3	5.3	.32	3.5	12-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	10.50	9.50	9.63	-.63	-6.10	11.38	5.00	.05	-1.29	-4.49	-20.87	1.01	.47 Q	77.0	25.0	5.4	8.9	.20	2.1	11-19-81	76.2	4.1	1.9	10.2	7	0881
Piccadilly Caf	PICC	14.63	14.38	14.38	-.25	-1.71	19.00	11.97	-.10	-.52	2.55	47.22	1.30	.21 Q	18.4	15.0	6.1	10.6	.48	3.3	12-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	7.00	6.13	7.00	.75	12.00	11.50	4.00	-.19	1.17	6.63	1.78	.59	.08 N	14.5	-2.0	1.4	11.1	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Pizza Time Thea	CHKY	22.50	21.00	22.50	-.50	-2.17	28.25	18.00	-.37	.44	-1.95	29.35	.04	.34 N	NC	98.0	.9	66.2	.00	.0	00-00-00	11.4	.1	1.3	.4	1	1280
Ponderosa Sys	PON	14.25	13.25	13.63	-.88	-6.03	19.75	10.25	-.44	-.56	-.92	7.97	.60	.41 N	39.4	3.0	.8	9.4	.40	2.9	12-01-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	7.00	5.75	6.13	.00	.00	12.50	5.25	-.13	-1.35	.57	19.73	.53	.70 N	184.2	33.0	4.1	5.7	.12	2.0	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	4.50	4.00	4.13	-.38	-8.33	8.25	3.25	-.43	-1.82	4.07	-11.88	.64	.39 N	60.0	29.0	1.6	4.0	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	19.75	18.38	19.00	-.38	-1.94	23.75	8.38	.08	-.73	2.13	34.66	2.36	1.05 Q	68.6	15.0	1.4	7.4	.44	2.3	11-16-81	819.0	11.6	.9	9.3	15	0681
Sambos Rest	SRI	.00	.00	1.38	.00	.00	6.25	.63	-1.18	.00	-8.07	.00	-1.05	2.34 N	NE	-55.0	-2.4	2.3	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
Sea Galley	SEAG	7.88	6.88	7.25	-.63	-7.94	17.88	5.50	-.97	-1.06	1.09	.76	.55	.69 N	NC	53.0	5.7	10.5	.00	0	06-02-81	22.9	1.3	1.6	2.3	2	1260
Servico Inc	SRVI	8.50	8.25	8.50	.25	3.03	13.00	7.00	.32	.91	4.20	.38	1.10	1.34 N	183.5	22.0	2.5	4.1	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	14.75	14.50	14.50	-.13	-.85	15.00	9.75	.30	-.52	.53	-24.36	1.03	.20 F	24.0	21.0	5.5	14.1	.16	1.1	12-28-81	210.6	11.8	1.0	1.2	4	1080
Victoria Stations	VSTA	8.50	8.13	8.38	.25	3.08	11.25	6.25	.07	-.15	2.95	-8.57	-1.85	.72 S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	8.38	8.13	8.13	-.25	-2.99	8.88	5.00	.23	-.46	-1.60	27.42	-.05	.43 N	NC	-2.0	-.2	18.9	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	14.25	13.63	14.13	.38	2.73	19.38	10.50	-.26	.09	-.63	25.89	1.34	.32 N	27.3	30.0	8.7	9.5	.28	2.0	10-30-81	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	7.00	6.63	6.88	-.13	-1.79	13.63	6.50	-.27	.18	6.16	26.57	-.49	-.81 N	-77.8	-42.0	-.9	29.9	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261